FBIS DAILY REPORT

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Vol VI No 036 24 February 1987

Due to the closing of federal offices 23 February 1987, Daily Report No 035 was not published.

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'JOINT' DEBT STRATEGY TO BE SET WITH BRAZIL

PY212339 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2216 GMT 21 Feb 87

[Text] Buenos Aires, 21 Feb (NA) -- Finance Secretary Mario Brodersohn will travel to Brasilia on Monday, 23 February, to meet with Brazilian Finance Minister Dilson Funaro. They will draw up a "joint strategy" for the foreign debt negotiations, the decisive round of which the two countries will start next week with the creditor banks.

In a statement to LA NACION, Brodersohn, who is Argentina's main foreign debt negotiator, said that next Tuesday he will have the answer from the creditor banks to his proposal for a total renegotiation of the debt, at a meeting to be held in the United States. He reiterated that he will not negotiate the projected 4-percent growth rate for the Argentine economy this year.

Brodersohn reasserted that unless the $2.15-million loan requested from the creditor banks is forthcoming, priority will be given to internal growth over external commitments.

Asked about the Brazilian decision to declare a technical moratorium on the service of its country's foreign debt, Brodersohn replied that "we have been in constant contact with Brazil," because the two countries are members of the Consensus of Cartegena, the umbrella group for the 11 most-indebted countries in Latin America.

He then added: "The joint action by Presidents Alfonsin and Sarney opened the way to closer contacts and to the exchange of ideas regarding economic strategy related to the foreign debt and to our economies' complementation."

Brodersohn went on to affirm that "this type of communication has been maintained, so much so that I will travel to Brasilia on Monday to talk with Minister Dilson Funaro about the strategy at the debt negotiations."

Asked if they might decide to handle this problem jointly, Brodersohn said that "Brazil will make decisions in keeping with the needs of its economy, and Argentina will make its own decisions."

Brodersohn Comments Further

PY210239 Buenos Aires DYN in Spanish 0034 GMT 21 Feb 87

[Text] Buenos Aires, 20 Feb (DYN) -- Finance Secretary Mario Brodersohn today affirmed that if the international banks do not come forward with a $2.15-billion loan, "priority will be given to the growth of the GDP, rather than to foreign debt commitments."

The finance secretary then said that if "their proposals do not make sense, our response will not make sense either." However, he expressed his confidence that a positive solution will be found in the upcoming meeting with the creditor banks that will be held in New York on 25 February.

Talking with journalists as he came out of the office of Economy Minister Juan Sourrouille, Brodersohn said he will send the budget to Congress next week, "without modifying the projection of a 42-percent annual inflation rate."

Asked about the possibility of postponing payments. As Brazil is doing, Brodersohn replied: "I would not put it that way, because it would create the wrong ideas." He noted, however, that unless Argentina obtains a $2.15-billion loan, economic growth will not reach 4 percent, and "since Argentina will not negotiate its growth rate, you can imagine the consequences," he emphasized while slowly smoking his pipe. He added: "If they don't pay us, we won't be able to pay them."

As for the conditions set by the IMF to disburse the first installment of the $1.35-billion standby credit, he said there are no conditions, "except the same condition as that for the second installment, which is to meet the targets set by the IMF. This is a traditional condition, which the IMF did not invent just for Argentina."

A journalist then asked: Do we have to reach an agreement with the banks for that disbursement? And Brodersohn replied: That's correct.

Commenting on the Brazilian position, Brodersohn said it has created some tension because Brazil is a big debtor. He added that "before that country made its proposal, Argentina made its proposal to the international banks, which is to guarantee 4-percent growth for our economy."

Another journalist asked: Can our country take advantage of the situation created by Brazil, like a good student? What do you mean by a good student? Brodersohn asked back, adding: "Last year we obtained resources to pay less than 50 percent of the interest. Furthermore, the Argentine effort has created a good image and, if the country's current situation is compared with that of past years, it can be seen that the progress has been significant. In view of this progress of the Argentine economy, we asked for better interest rates and terms than those for other Latin American countries."

Asked about Argentina's possible support for Brazil, Brodersohn replied that "we have kept in permanent contact with the Brazilian authorities, and we now will wait for the decisions they adopt before proceeding further in this direction."

As for the opinion of some economists that the issuance of foreign bonds to support the value of the dollar does nothing but increase the Argentine foreign debt, Brodersohn said that "this is not true. We have just paid more than $400 million for foreign bonds."

Doesn't that mean more foreign debt? he was asked. And Brodersohn replied: Net debt, no -- because on the one hand we reduced it by more than $400 million when we paid that much to foreign bond holders in February, but on the other hand we floated bonds through the Central Bank. The aggregate of foreign bonds has been decreasing with time.

Brodersohn Leaves for Brazil

PY232212 Buenos Aires TELAM in Spanish 2121 GMT 23 Feb 87

[Text] Buenos Aires, 23 Feb (TELAM) -- Finance Secretary Mario Brodersohn left for Rio de Janeiro today at 1800 [2100 GMT]. He was accompanied by Under Secretary for Foreign Debt Jorge Gonzalez and by Central Bank director Daniel Marx. The Argentine officials, who left on board a Varig jetliner, declined to make any statements to the press.

Alfonsin Contacts Sarney

PY231639 Buenos Aires TELAM in Spanish 1537 GMT 23 Feb 87

[Text] Buenos Aires, 23 Feb (TELAM) -- President Raul Alfonsin has telephoned his Brazilian counterpart, Jose Sarney, and he has also been keeping in touch by telephone with Brazilian Finance Minister Dilson Funaro, in order to follow personally the development of the process that began after Brazil suspended the payment of interest on its foreign debt.

This was disclosed by a Government House source at noon today. The source refused to express an official opinion on Brazil's position, but pointed out that Argentine Finance Secretary Mario Brodersohn will travel to that country for an in-depth briefing on Brazil's position.

SOURROUILLE VIEWS ECONOMY OPTIMISTICALLY

PY202104 Buenos Aires BUENOS AIRES HERALD in English 20 Feb 87 p 3

[Text] (NA-DYN) -- Economy Minister Juan Sourrouille yesterday marked his second year in office on an optimistic note by saying that the problem of inflation was under control, even if not solved.

Economists consulted by the press yesterday mostly praised Sourrouille's record, especially the Austral Plan of June 1985, although there were criticisms of the degree of government intervention and monetarism in his policies.

Sourrouille told the daily LA NACION that integration with other Latin American countries, rather than exports, was the answer to Argentina's problems in view of slumping world market prices. Within the export sector, he said meat was a better bet than grain.

The minister further said that the government had not decided its incomes policy for the second quarter of the year.

In another interview with the magazine GENTE, Sourrouille admitted that this month's inflation would be higher than the government had hoped. However, he pointed out that in the 12 months up to last October 270,000 new jobs had been created, while the Gross Domestic Product (GDP) rose by 5.5 percent last year and industrial production by more than 13 percent.

Referring in this context to President Raul Alfonsin's speech on the alleged distortion of the figures by newspapers, Sourrouille said there was "much to be improved on both sides," and that the main thing was to determine what really was occurring.

Sourrouille attributed the recent rise of the black-market dollar to uncertainty about negotiations with the International Monetary Fund (IMF), which were successfully concluded on Wednesday. He further said that meat consumption would need to decline further.

REPORTAGE ON DECISION TO SUSPEND FOREIGN DEBT

Sarney Addresses Nation 20 Feb

PY210048 Rio de Janeiro Rede Globo Television in Portuguese 2331 GMT 20 Feb 87

[Speech by President Jose Sarney over a radio and television network from Planalto Palace in Brasilia on 20 February -- recorded]

[Text] Good evening, Brazilians:

I am addressing the nation, deeply moved, to tell it that after listening to the National Security Council, which is comprised of all the ministers of state, the president of the Supreme Federal Court, the speakers of the Chamber of Deputies and the Senate, the chiefs of staff of the Armed Forces, after hearing out this Security Council I had convoked, I have made a decision that has great significance for the history of contemporary Brazil. I want to announce that the country is suspending the interest payments on its foreign debt.

I would like to confess that a decision of this kind is not an easy one to make. Above all, this is a courageous attitude, the attitude of a man who has faith in Brazil.

We will negotiate a formula to amortize our obligations in a way that will not jeopardize national development; a formula capable of avoiding political instability, which is bound to be followed by recession, unemployment, and social crisis.

However, I would like to say that this is not an attitude of confrontation. Brazil is not a country that seeks confrontation. Brazil is the eighth largest economic power in the Western world, and it has no desire for an autonomous economy outside the international community. What it does want is fair negotiations. We want a free market economy that is competitive, dynamic, and modern with a right to grow.

We have made a great effort to reactivate our foreign trade, but we could not make the adjustments required by a recessionary policy whose only objective would have been to produce trade surpluses, forgetting the inalienable interests of the country.

Brazil does not want to deceive anyone, but it does want accessible payment terms. At the negotiating table we will outline terms that will not jeopardize the objectives leading to national growth. For sovereignty and national security reasons, our reserves must be protected.

From the very beginning of this administration I made it clear that this would be our approach, and I also set the limit. Now is decision time. I want to make it very clear that we chose an option that took a long time to mature, a well-thought-out decision, a decision made without any bravado.

Brazil now has enough reserves to cover the cost of imports for several months. I can assure the nation that our net and available reserves total $3.962 billion.

It is not customary for countries to reveal the extent of their reserves, but I do so openly tonight in order to prevent mistaken interpretations by those who do not believe in our country.

The current situation is entirely different from 1982. At that time there was in fact a constraint because the country did not have the resources to honor its commitments; it had no foreign currency, not even enough to finance essential imports. We were left at the mercy of creditors who imposed their conditions on us because we were not in a position to resist them. Brazil had to resort to the IMF in circumstances that are well known.

Today, that is not the case. Brazil has sufficient resources and with the measures we have now adopted, we have preserved our international reserves and strengthened our negotiating position.

We no longer want palliative or temporary solutions. The measures we are taking demonstrate the government's determination to create appropriate conditions so that the debt issue can definitively be placed on track, with a lasting solution emerging from a broad and just understanding capable of creating stability.

Pope John Paul II was very clear in his recent remarks on this issue. He said that the issue of the foreign debt is also an ethical problem; that is, it is a moral problem. The foreign debt cannot stand in the way of people's basic needs. We will negotiate from a position of autonomy and with a clear idea of the long-term objectives.

I now want to answer a question that should be in the minds of all Brazilian men and women. Why have our foreign reserves declined? When I assumed the government in March 1985, our foreign reserves stood at $7.8 billion. In 1984, the year before I assumed the presidency, $9 billion in new money entered the country. In 1985 and 1986, in the 2 years of my government, not a single liquid dollar has entered the country. On the contrary, in these 2 years we have sent out a net $1.4 billion. Our exports declined by more than 10 percent in 1986, a decrease of nearly $3.3 billion. Why? Because the internal market grew! We imported foodstuffs and other goods necessary to supply our economy. On the other hand, the prices of main products and manufactured goods on the international market dropped -- continuing a trend that started some time ago.

Now, I want to give the Brazilian people more information. In the past 5 years, Brazil has paid $55.8 billion in debt interests alone. I repeat, we cannot pay the debt with the people's hunger. Two years ago at the United Nations, I warned in a speech that the countries of Latin America are living overburdened by a heavy foreign debt through a situation of great difficulties, the internal repercussions of which are recession, unemployment, inflation, increasing poverty, and violence.

But I said then that the debt should not make us doubt. I am sure that this debt, with its high socioeconomic costs, must be paid with freedom, because a debt paid with misery certainly would be paid with democracy instead.

I meditated on and evaluated the consequences of this measure, because this type of measure certainly entails risks.

However, I cannot find anything that can really demonstrate that Brazil has an insurmountable obstacle ahead of it. We have no reason to be afraid of any catastrophe.

We must now be aware of time. Brazil must prepare for the 21st century, and for this we need a firm, coherent program that works. Our Cruzado Plan has given value to our production and work and ended speculation.

Things do not always turn out the way one wishes. However, we must stubbornly continue our efforts to attain our objectives.

It will be a year on 28 February and we will not have the low inflation rate all of us expected -- not I, as a citizen and furthermore as the president of the Republic, who concentrated all his energy on the fulfillment of a well-outlined plan that is alive and will continue, or all the Brazilian people.

On 28 February we will end these 12 months with an inflation rate of approximately 60 percent. It will not be the 252-percent inflation rate of 1985 or the 500 percent that had been projected for 1986.

Now, I know all of you have another question for the president: What about the future? The first step is the measure I have just announced: To suspend the interest payments on the debt so we can negotiate formulas that will not affect our economic growth. Soon afterward, we will have to put into practice a strict plan of restrictions; and then we must undertake a consistent program to stabilize the economy that will consolidate our growth and employment, which are essential factors.

It is always said that the government does not contribute its share. Well then, in this aspect, tonight I am announcing three measures that will mark the beginning of the government's contribution of its share. In the next 6 months the Treasury will only spend what is collects. Two, [number as heard] state companies will only make investments with the resources they obtain from their own collections or already allotted to them and which are available.

We will proceed to review all subsidies. In order to do this I will immediately send Congress a draft bill that will regulate conditions for the implementation of subsidies and, mainly, their corresponding budgetary source.

The government has offered its share. Now, I must say that in order to keep the country from suffering with a concern it cannot bear, we need the unity of all Brazilians in this struggle so we can triumph together.

This is the time for responsible patriotism, not for betraying the country under the pretext of criticizing the government, which asserts that it inherited this debt from the past and it will pay the debt without indebting future generations.

Brazil has made a decision that I believe has the unanimous support of all its people, who for a long time wanted a firmer agreement for the solution of the foreign debt.

We need to be able to sit at a negotiating table abroad with the authority of a sovereign nation and of a government supported by its people. We also need a national consensus to defeat inflation, do away with recession, maintain levels of employment to reestablish confidence, get investors to again invest in the country, and maintain the real purchasing power of our workers so that we can do away with the cycle of cheap labor that is so degrading.

We need time if we are to achieve these ambitious goals. These measures were adopted within the context of our economic policies. These measures also have the main objective of improving the lives of our people, and they are a call for politicians, workers, businessmen, financial and labor sectors -- the living forces of the nation -- professionals, students, churches, all the Brazilian people, men and women, to help Brazil at this critical moment, which will be overcome with our work, dignity, and unity.

The command is to unite, because the future is ours. I ask for your confidence. Thank you and may the Lord bless you.

Sectors Reaction Marked

PY202010 Madrid EFE in Spanish 1658 GMT 20 Feb 87

[Excerpt] Brasilia, 20 Feb (EFE) -- The Brazilian Government's decision to suspend interest payments on its foreign debt for 90 days has provoked mixed reactions: Political and industrial sectors have endorsed the decision, but the workers have described it as being "palliative."

According to figures from the Central Bank, Brazil will stop paying between $2 and $2.4 billion in interest during the 90-day period. A report of an alleged "plot" designed "to destabilize the government" has overshadowed the debt payment suspension issue in Congress.

Ulysses Guimaraes, president of the Brazilian Democratic Mobilization Party (PMDB), the main Brazilian political force, said: "These are difficult times during which our political alliance will support the president and the measures he deems necessary."

Jarbas Passarinho, leader of the Social Democratic Party (PDS) in the Chamber of Deputies, has endorsed the decision, but he noted that "the government must now put its internal accounts in order."

The Brazilian Labor Party (PTB) yesterday voiced its support for the government and its intention to join the political alliance that supports President Jose Sarney.

In the opinion of the Sao Paulo State Federation of Industries (FIESP), the interest payment suspension "is a good measure." It warned, however, that the government cannot think now of declaring a unilateral moratorium, which would paralize the Brazilian industrial sector.

Workers have received the decision with skepticism. According to Luiz Inacio de Silva, known as Lula, who is the president of the Workers Party (PT), "with its Cruzado Plan fantasy the government has spent all our reserves and it is now making the people pay for it." Lula, a leader of the powerful metalworker's sector, has requested that "a great national debate be promoted to make the government open its drawers and show us the real status of our foreign debt."

Jair Meneguelli, president of the leftist Sole Central Organization of Workers (CUT), stated that the decision is "artificial because it will just delay the explosion of the economic situation." Meneguelli said: "In our opinion, the government has not formulated an economic policy for the country."

Leonel Brizola, governor of Rio de Janeiro State and one of the main critics of Sarney's policies, today said that he does not believe in the effectiveness of a "technical moratorium." He noted that "the most sensible thing to do to address the sovereignty issue would be to conduct an audit of accounts to determine the origin of the foreign debt."

Former Planning Minister and current Senator for the opposition Social Democratic Party (PDS) Roberto Campos said that he considers the measures to be ineffective, because "such a measure would be justified only if the government were inclined to conclude an agreement with the IMF."

The Bank of America representative in Brazil, Joel Korn, whose bank is one of the most affected by the decision, has said that international commercial banks will not apply "retaliatory" measures.

He said in Sao Paulo that "the posture of the banks will remain the same in future negotiations, which no doubt will be complex, but will not be influenced by the Brazilian Government's decision."

The decision to suspend the interest payments on the foreign debt went unnoticed in Congress, where it was overshadowed by a debate in which a sector of the progovernment PMPD denounced an alleged international campaign against President Jose Sarney and Finance Minister Dilson Funaro. The debate was touched off by a request from six minority parties to summon Finance Minister Dilson Funaro to provide information on the Brazilian economy. The motion was defeated by a coalition of the progovernment parties with other opposition parties. During the debate, the leader of the progovernment Liberal Front Party (PFL) in the Chamber of Deputies, Jose Lourenco, even said that "those who want to destabilize Sarney will have to confront us with bullets." [passage omitted]

Central Bank To Regulate Plan

PY220252 Sao Paulo FOLHA DE SAO PAULO in Portuguese 21 Feb 87 p A 25

[Text] At 2000 yesterday, the Central Bank issued Resolution 1,263 and Circular 1,131, regulating as of Monday, 23 February, and for an indefinite time, the suspension of interest payments on the country's medium- and long-term debts with international private banks. The suspension does not affect the interest and principal of credits for less than 360 days, debt commitments with official creditors, or remittances of profits abroad.

To explain the measure adopted yesterday, the president and the directors of the Central Bank's foreign debt affairs and external area department, Francisco Gros, Antonio de Padua Seixas, and Carlos Eduardo de Freitas, will, at 1200 today, meet with executives of domestic and foreign banks in the regional office of the Central Bank in Sao Paulo.

The Central Bank circular establishes that the suspension of payments abroad will not affect the Brazilian bonuses and securities that have been negotiated in the international market, or the guaranteed financing for ships, aircraft, drilling equipment, and interest for the equalization of the country's export credits. The payment of interest on credits from official or international organizations, including those credits that have a guarantee or insurance from such an organization, will be maintained. This can be done because, contrary to the international private banks, these organizations have already rescheduled the principal and part of the interest under the agreement signed with the Paris Club in January, and also because the multilateral organizations are granting new money to Brazil.

In the area of foreign trade, only the companies that depend on imports of machinery, equipment, instruments, and vehicles worth more than $100,000 will be affected, because they will find difficulties in obtaining financing for longer than the 3 years required by Resolution 767 of October 1982.

Since the payment of interest on bank financing for a period longer than 1 year will be suspended, international banks will no longer grant the obligatory financing for 3 to 8 years for importing machinery or equipment worth more than $100,000. This machinery or equipment should only be imported under direct credit from the supplier.

The suspension will not affect the remittance of profits, dividends, or return of capital from subsidiaries of multinational companies.

Only until the end of this month will the banks be allowed to negotiate foreign exchange for the remittance of profits and dividends of multinational companies after the Central Bank Department of Foreign Capital and Control and Registration can examine the balance of assets and the date of the meeting of the administrative body of the multinationals at which the remittance was approved. In the case of the return of capital, the Central Bank will demand evidence of sale of the multinational's subsidiary assets and the final statement of account of the extinct enterprise.

Reserves in 'Safe Shelter'

PY220210 Rio de Janeiro O GLOBO in Portuguese 21 Feb 87 p 18

[By Tereza Cruvinel]

[Text] Brasilia -- Finance Minister Dilson Funaro transferred Brazil's foreign reserves to a "safe and unreachable shelter" in the last 3 months in order to keep creditors from laying their hands on them after the suspension of interest payments was announced. In this way, the country now has $3,962,000,000 worth of gold and dollars available. The minister revealed that the transfer of the foreign reserves to a safe shelter was made gradually, thus guaranteeing security for the country's economy.

Minister Dilson Gunaro himself yesterday provided this information to PMDB politicians, who inadvertently made the information public.

The night before yesterday, when the minister explained the possible consequences of the suspension to PMDB leaders and economists, Funaro gave them this information to calm them when they raised questions about the risk of retaliation by creditors.

However, the minister did not reveal from which banks the reserves were transferred through interbank credit operations, nor in which countries the reserves were deposited. PMDB politicians speculate that the reserves may have been transferred to the Bahama Islands or Switzerland, countries that are considered fiscal shelters because of the lack of government control over the banks.

The minister also assured the politicians about the possibility of retaliation by creditor countries. He said he believes that those who buy from Brazil will continue to do so. Logic will tell the creditors, the minister affirmed, that the sooner we overcome the foreign exchange crisis, the sooner we will resume payments.

The PMDB politicians also expressed concern about the risk of a pronounced recession, which could raise unemployment to unbearable levels. Funaro told them that to prevent that, he has 120 billion cruzados from the National Development Fund for the financing of new projects.

Calazans Fears 'Retaliation'

PY211321 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 21 Feb 87

[Text] Bank of Brazil President Camilo Calazans has expressed the fear that the moratorium declared by the Brazilian Government might provoke acts of retaliation against the Bank of Brazil abroad.

Calazans noted that the Bank of Brazil's foreign branches are governed by the banking laws and practices prevailing in the host country. He added that the Brazilian foreign currency reserves and trade surplus are insufficient to cover all of our commitments.

Funaro Eyes Issues

PY231414 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 22 Feb 87 p 40

[Text] In an interview with foreign correspondents yesterday, Finance Minister Dilson Funaro defended the creation of an Economy Ministry by incorporating the Planning Ministry into the Finance Ministry. Funaro told the foreign correspondents that the incorporation might be implemented through the process of administrative reform, and that the incorporation should make the management of the country's economy more effective.

Funaro confirmed that in March, the OTN [National Treasury Orders] will be corrected for inflation every month. He dismissed the possibility that a new package of internal measures would be released.

Funaro first told the foreign correspondents, and later the Brazilian reporters, who were granted a short interview, that from now on "the country will not seek confrontation, but rather negotiations to conclude a multiyear agreement for the payment of its debt." The minister stated that the government does not believe the international community will adopt reprisals against Brazil, but he said that "the country is prepared for a hardening of positions." Funaro, however, refused to reveal the measures that Brazil would adopt in response to a hardening of positions.

The minister said that he has had several international contacts since Friday morning, and that the banks have begun to better understand the Brazilian position of suspending the interest payments on its foreign debt. He added that "there might be misunderstandings, but this is normal because there are 700 creditor banks."

The minister told the foreign correspondents that if the suspension lasts until the end of this year, the country could skip payments totaling $5.6 billion to private creditor banks. But $2.7 billion will be promptly paid to official credit institutions of creditor countries (Eximbanks), the World Bank (IBRD), and the Inter-American Development Bank (IDB). The minister revealed that these projections were made by the Central Bank during internal discussions on the suspension of interest payments on the foreign debt.

Funaro had to interrupt the interview with foreign correspondents several times to take phone calls, including calls from President Sarney and former U.S. Secretary of State Henry Kissinger. The minister told the Brazilian reporters that the former U.S. secretary of state "praised the Brazilian attitude of seeking new roads," and said that Kissinger has always defended the adjustments the creditor countries try to impose on the debtor countries. [as published] Funaro told the foreign correspondents that Kissinger "is a good friend of Brazil's."

The minister said that his trip to the United States is not yet confirmed, although he announced last Thursday that he would travel this weekend to meet with U.S. bankers and economic officials during the carnival period. He said: "My trip depends on the reactions we get and on the contacts I make."

Funaro denied that the public expenditure austerity measures announced by President Sarney were intended "to please the IMF without resorting to it. Our obligation is to put our house in order. The IMF prescription is broader; it demands both internal and external adjustments, which might bring on a recession. We do not want that."

The minister said the Argentine reaction to the decision to suspend interest payments is "a great gesture of solidarity." But he noted that the debtor countries must act independently in negotiating their debts, as they agreed to do under the Consensus of Cartagena in 1985.

On the domestic front, Funaro denied the possibility that a new package of measures would be issued in the immediate future. He reasserted that the government will continue down the road of austerity in public expenditures, and said that new austerity measures will be announced next week. He revealed that President Sarney is determined to extend for an additional 6 months the requirement that the National Treasury only spend what it collects, provided that the first 6 months of application of this measure are satisfactory.

Minister Funaro also announced that once the value of the OTN is corrected next March, it will continue to be corrected every month. The government will authorize the correction of contracts for less than 1 year by the readjusted values of the OTN, thus resuming the process of complete reindexation of the economy.

Interest To Be Deposited

PY231520 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 23 Feb 87

[Text] Finance Minister Dilson Funaro has said that Brazil will not sign another global agreement with the IMF. According to Funaro, the only agreement Brazil will sign with the IMF concerns the amortization of loans and credits Brazil will request, and which the country is entitled to use to compensate for the decrease in its exports.

During his meeting with President Sarney at the Alvorada Palace yesterday, Funaro said he does not believe that foreign creditors will retaliate against Brazil for its decision to suspend the payment of interest on the foreign debt. He explained that the Brazilian position was consciously adopted, and was not based on emotional or ideological factors.

Labor Minister Almir Pazzianotto has said that now that the government has announced its decision to suspend payment of the interest on its debts, documents submitted by the National Confederation of Industries and the Workers Central Unions can be studied.

One of the workers main demands is that payment of the debt be suspended, while the businessmen insist that the government reduce its expenses. Minister Pazzianotto thinks, however, that it is too early to discuss a national agreement, which would require businessmen and workers to sit at the same table and negotiate its terms.

Funds earmarked for payment of interest on the foreign debt will be deposited, in cruzados, in the Central Bank and foreign account-holders can invest these funds in domestic projects. Welfare Minister Rafael de Almeida Magalhaes has said that the government hopes that the account-holders will do so. This would be a good solution, offering a new option for the holders of those accounts, particularly if the country maintains its economic growth.

Pernambuco's Governor-elect Miguel Arraes supported the decision by President Sarney to suspend the interest payments. He said the Brazilian people should support this measure, as well as the stronger measures that might become necessary to pull the country out of the crisis. Arraes once again proposed that the foreign-debt accounts be audited to determine the origin of the debt.

Finance Minister Dilson Funaro said that as of March, the economy will again be subject to indexation. He confirmed that the increased rate of inflation makes it necessary to reintroduce the policy of indexation. He announced that beginning in March, the OTN will again be corrected every month, after having been frozen at 106.4 cruzados for 1 year. The government will also allow the introduction of a readjustment clause in contracts for less than 12 months.

Should there be an increase in the flow of profit remittances by the multinationals, as a consequence of the measures adopted by Brazil, the government will make new decisions to protect the country's foreign reserves. This warning was made by Central Bank President Francisco Gros. He also said that all foreign-exchange operations are continuing as usual, except for the remittance of interest to private commercial banks.

IMF Payments To Continue

PY231900 Madrid EFE in Spanish 1749 GMT 23 Feb 87

[Text] Brasilia, 23 Feb (EFE) -- The Brazilian Government today announced that it has decided to renegotiate its debt with the International Monetary Fund (IMF). The suspension of interest payments to commercial banks, which was announced last Friday, will not apply to the IMF debt.

The announcement was made by Finance Minister Dilson Funaro, who made it clear that "the renegotiation does not imply seeking an agreement with the IMF or accepting this institution's economic prescriptions."

The portion of the Brazilian debt with the IMF that will be renegotiated amounts to $1 billion, which falls due in 1987. Brazil is caught up in its debt service payments to that institution, which totaled $4,608,000,000 in December 1985, according to official Central Bank figures. Denying that this is a rapproachement with the IMF, Minister Funaro said that "this renegotiation does not imply a process of negotiating our foreign debt through the IMF. We hope the IMF will contribute to the payment of this debt."

Since February 1986, Brazil has distanced itself from the IMF and rejected the economic adjustment programs proposed by that institution as a condition for Brazil's obtaining new loans or refinancing its foreign debt.

Brazil accepts a single clause of the contract that created the IMF: The country's economic situation should be analyzed every year by experts of the international organization.

The announcement of Brazil's decision to renegotiate the country's debt with the IMF was made 72 hours after the government announced the suspension of interest payments on its $72 billion debt to international commercial banks. Renegotiation of the Brazilian debt was to begin next weekend, but Minister Dilson Funaro reported today that it has been postponed until mid-March.

Meanwhile, the newspaper JORNAL DO BRASIL today revealed the contents of the message that the Brazilian Government sent to commercial banks on 20 February informing them of the suspension of interest payments. In this message, Brazil announced that it has opened a special account at the Central Bank where the interest, amortization, and amounts due will be deposited while renegotiations are being conducted.

The finance minister told foreign correspondents in Brazil on 21 February that the total amount affected by Brazil's decision was $5.6 billion. Carlos Eduardo de Freitas, director for foreign debt of the Central Bank, warned today that any reprisal against Brazil will from now on be labeled "a confrontation with the government and not with the banks that may have their lines of credit suspended." He added that now the Brazilian foreign debt has ceased to be a problem of the government economic sector, and has become a political problem. "The creditor banks can be sure that if they withdraw their assistance from the Banco do Brasil, they will be severing negotiations with the government and not with a corporation," he said, adding that "this severance will have unfathomable consequences."

Meanwhile, the Brazilian Government was keeping a close watch on the repercussions that the measure has had in creditor countries and organizations, and has been preparing the proposal that it will convey to the commercial banks.

This weekend President Jose Sarney held several meetings with Finance Minister Dilson Funaro, Central Bank President Francisco Gros, and with political leaders with whom he evaluated the situation following Brazil's announcement on 20 February that it was suspending the payments of interests on its foreign debt to commercial banks.

Sarney Clears Agenda

PY240134 Rio de Janeiro Rede Globo Television in Portuguese 2255 GMT 23 Feb 87

[Excerpts] President Jose Sarney will now dedicate all his time to the economic measures that have to be adopted. Therefore, the president has canceled all his appointments until 16 March.

As of today, the first work day since the suspension of interest payments was announced, no foreign criticism of the Brazilian Government decision had been received in Brasilia. [passage omitted]

Today, President Jose Sarney received expressions of solidarity from Presidents Raul Alfonsin of Argentina, and Jaime Lusinchi, Venezuela. Both presidents sent telegrams to Planalto Palace expressing solidarity with the Brazilian Government, now that Brazil has decided to suspend payments on its foreign debt interest.

In Lima, Peruvian President Alan Garcia said that the Brazilian decision is an example to other Latin American countries. In Mexico, Finance Minister Gustavo Petricioli said that the Brazilian Government's decision is an example of the risk run by the international finance system as a consequence of the lack of cooperation on the foreign debt problem.

Meanwhile, the Italian Government has opened a $30 million line of credit for Brazil in support of its decision to suspend payments on its foreign debt interest. This news was delivered to President Jose Sarney by Carlos Alberto Leite Barbosa, Brazilian ambassador to Italy.

SHIP DETAINED IN IRAN ON ARMS CARGO CHARGE

PY201515 Madrid EFE in Spanish 1317 GMT 20 Feb 87

[Text] Rio de Janeiro, 20 Feb (EFE) -- The Brazilian ship Goncalo is being detained by the Iranian Maritime Police on charges of carrying arms for Iraq, it was reported today in Brazil.

Goncalo Borges Torrealba, vice president of a Sao Paulo-based shipping company, said that the 38 crew members of the ship held incommunicado at the Iranian part of Bandar-e 'Abbas. Borges said he has requested the appropriate explanations from the Iranian Embassy in Brazil on the reasons for the detention, but that he has not yet received any reply.

The ship Goncalo covers the Brazil-Middle East route, making stops in the ports of Dubayy and Karachi.

According to Borges, the ship was carrying lumber, paper, and food, but not arms, as has been claimed by the Iranian Police.

Ship, Crew Released

PY211418 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 21 Feb 87

[Report by Glaucio Veloso]

[Excerpt] The Brazilian ship Goncalo, which was detained this week at the Iranian port of Bandar-E 'Abbas on the Persian Gulf on charges of carrying arms for Iraq, has been released by the Iranian Maritime Police, the Brazilian Foreign Ministry reported yesterday. The Brazilian Embassy in Tehran informed the Foreign Ministry of the ship's release, but it did not state the condition of the ship at the time of its release.

Itamaraty learned of the incident involving the Goncalo through a note submitted by the Sao Paulo-based Companhia Paulista de Comunicacao Maritima, which requested that the Foreign Ministry intercede to obtain the release of the ship.

The Goncalo, which normally covers the Brazil-Middle East route, was heading for the port of Dubayy, in the United Arab Emirates, with 38 crewmen. According to Companhia Paulista, the Goncalo was not carrying arms but lumber, paper, and food. The Brazilian ship is not the first one to be detained in that region, where the interception of ships suspected of carrying arms is commonplace because of the 7-year-old war between Iran and Iraq.

BRIEFS

EEC REPRESENTATIVE APPROVED -- The Brazilian Government today approved the appointment of Amando Annes de Azevedo as EEC representative in Brazil. Amando de Azevedo, 59, will be the first EEC representative in Brazil. The EEC was first represented in Brazil in 1983 and to date was managed by a charge d'affaires. [Text] [Brasilia Domestic Service in Portuguese 2200 GMT 16 Feb 87 PY]

COMMUNIST SUBVERSIVE ARRESTED IN SANTIAGO

PY211524 Santiago Domestic Service in Spanish 0930 GMT 21 Feb 87

[Text] The Government Social Communications Agency, DINACOS, has issued an official communique in which it reports a clash in which a terrorist was wounded. According to the DINACOS communique, near the Vicuna Mackenna rotunda, at bus stop No 14, CNI [National Intelligence Center] personnel ordered two unidentified males who were acting suspiciously to stop. But instead of complying with the order, the two individuals fired at the CNI personnel who, aided by Carabineros personnel, had to fire back.

In the shoot-out that ensued, one of the subversives was wounded. He was later taken to a hospital where he is being treated. The subversive has been identified as Mauricio Fabio Arenas Bejas, alias Joaquin, 28 years old. He is a member of the Communist Party. He was found carrying a false identity card issued in the name of Renato Gabriel Azurillo Bravo. Arenas Bejas participated in the armed robbery against the IPOS [expansion unknown] supermarket in Valparaiso; in the armed robbery against Radio Festival located in the 5th region; and in the armed robbery against the Italian Gunsmith shop in Santiago. He was also a member of the commando group that kidnapped Fernando (Larenas) Sequel from the Nuestra Senora de Las Nieves rest home, where Guard Hector Valenzuela (Sear) was killed. One of his brothers, named Arnaldo, is presently under arrest and being prosecuted for his participation in the attack against President Pinochet.

According to the communique, after the clash, CNI personnel raided a house in the San Miguel district. In the operation, the CNI arrested two other subversives and confiscated abundant documents, Marxist literature, hand grenades and a flag belonging to the ETA [Basque Fatherland and Liberty] terrorist group.

HUMAN RIGHTS BETTER THAN OPPONENTS ADMIT

PY211607 Santiago Domestic Service in Spanish 0930 GMT 21 Feb 87

[Excerpt] Government Secretary General Francisco Xavier Cuadra has stated that the report drafted by UN human rights expert Fernando Volio shows that the human rights situation in Chile is quite a bit better than what opponents of the regime both outside and inside Chile would like to admit.

[Begin Cuadra recording] Regarding the human rights issue at the international level, [words indistinct] not only proceedings being carried out by the United Nations, particularly by the Human Rights Commission in Geneva. UN human rights expert Fernando Volio is the one who has the more up-to-date report on the present situation. Based on information that has been supplied by news agency reports, we believe that the annual U.S. State Department human rights report that was issued recently provides somewhat distorted information about the present human rights situation in Chile.

The Volio report shows that the human rights situation in our country is quite a bit better than what opponents to the regime both inside and outside the country would like to admit. Therefore, we believe it would be only right for the international community to also admit the progress that has been achieved in Chile in recent years in the human rights field. [end recording] [passage omitted]

GOVERNMENT TO DEFEND EXTRADITION TREATY VALIDITY

PA221233 Bogota EL TIEMPO in Spanish 20 Feb 87 pp 1-a, 3-a, 7-a

[By Edgar Torres]

[Excerpts] The government has categorically stated that it will not cease defending the validity of the extradition treaty signed with the United States and will not "evade the responsibilities that the treaty imposes."

This was stated yesterday by Justice Minister Eduardo Suescun Monroy in reference to a court ruling that leaves all decisions on extradition exclusively in the hands of the government.

Suescun hinted that he is concerned about the possibility that this position could be extended to include new extradition requests on which the Supreme Court should rule.

The minister made this statement 48 hours after the Criminal Division of the Supreme Court of Justice declined to rule on the extradition of Victor Mera Mosquera.

Speaking to EL TIEMPO, the minister criticized the position adopted by the Supreme Court of Justice in this case and said that the government was surprised. [passage omitted] He emphatically stated that the ruling represents a severe blow to Colombia's legal life. Justice Minister Suescun added that the ruling "creates confusion at a time when the country needs clarity on a matter as important as extraditions." [passage omitted]

NAVY CAPTURES 3 ECUADORAN FISHING VESSELS

PA211312 Hamburg DPA in Spanish 2337 GMT 20 Feb 87

[Text] Bogota, 20 Feb (DPA) -- Colombian naval forces in the Pacific have rescued safe and sound five crewmembers of the Panamanian motor ship La Sorpresa that had been drifting for 11 days. At the same time, the Navy captured three Ecuadoran fishing vessels in Colombian waters, it was officially announced.

The Colombian Navy ship Castillo y Rada rescued the Panamanian ship and captured 47 foreigners who were aboard the Rumancho, Saturno, and North King -- all Ecuadoran-flag ships, which were fishing in Colombian waters, 30 miles south of Malpelo Island, off the Pacific Coast. The Navy patrol also seized 90 tons of tuna that were in the holds of the three Ecuadoran fishing vessels.

BRIEFS

DRUG DETENTIONS, SEIZURES -- Between 30 January and 11 February, the antidrug command detained 168 people on drug trafficking charges and seized 481 kg of cocaine, 7 kg of bazuco, 102,000 cocoa plants, and 104,000 kg of marijuana. In addition, authorities destroyed three drug-processing laboratories and seized 52 weapons, 1 aircraft, and 26 vehicles. [Summary] [Bogota Inravision Television Cadena 1 in Spanish 0000 GMT 19 Feb 87 PA]

CAR BOMB EXPLODES NEAR GARCIA APPEARANCE VENUE

PA210512 Paris AFP in Spanish 0454 GMT 21 Feb 87

[Excerpts] Lima, 20 Feb (AFP) -- Peruvian President Alan Garcia declared here tonight that his government will not yield to terrorism, after a subversive command set off a car bomb 300 meters from the official tribune where he was presiding over a large meeting of the ruling APRA [American Popular Revolutionary Alliance] Party.

The explosion of the car bomb, which destroyed some 20 vehicles and caused extensive damage to houses in the area, shook the buildings of the downtown sector of the Peruvian capital. Police reported that four persons, one a policeman, were seriously injured.

Garcia said: "Our adversaries have joined us in celebrating the anniversary of Victor Raul Haya de la Torre, but they do not know that we are here to render testimony that the APRA never dies, because it is nourished by the people; and if there is a need for blood, here is our blood to defend our ideals to achieve a better Peru." [passage omitted]

Second Car Bomb Defused

PY231534 Paris AFP in Spanish 1435 GMT 23 Feb 87

[Text] Lima, 23 Feb (AFP) -- Security organizations reported today that Peruvian President Alan Garcia was unhurt in an attempted attack in Trujillo, where the police yesterday defused a car bomb made up of 20 kg of dynamite. This occurred shortly before the president's arrival in this city, 542 km north of Lima.

However, another car bomb went off 5 blocks from where Garcia was scheduled to attend a rally of the ruling APRA. The bomb caused no casualties [as received] but severely damaged the facade of the Agricultural Research and Development Center (CIPA), according to news media reports.

The bomb that as yet unidentified terrorists tried to use against the chief executive was discovered along the route from the Trujillo airport to the city, according to rumors that were confirmed by security organizations this morning. It was explained that the route of the presidential entourage was changed after the car bomb was discovered. It was also pointed out that the car bomb in Trujillo is the second attack against the social democratic president.

Almost 1 year ago, the police arrested near Juliaca, Puno Department, a Shining Path woman guerrilla dressed as a peasant and carrying dynamite sticks under her skirt. She was trying to get near the president to embrace him, according to reports released on that occasion.

Garcia went to Trujillo on 22 February to commemorate the 92d anniversary of the birth of the late Victor Raul Haya de la Torre, founder of the APRA.

Speaking to approximately 3,000 supporters, Garcia did not mention terrorism, which is relentlessly attacking his administration. He urged his fellow party members to set the example of a moral revolution as the only way to be worthy of the mission that the people have entrusted to us.

Garcia went on to say that no one can claim to be a democrat in Latin America without struggling for the economic and cultural independence of the continent and without rejecting the manipulation of the wealthiest and most powerful countries in the world. Let us not be robots producing what the imperialists consume, Garcia said in his speech. We need equal material development so that there will be no poor people.

Garcia's speech was interrupted by the explosion of the car bomb in front of CIPA headquarters. The authorities also reported that a bomb exploded early in the morning, damaging a state-run clinic in a shantytown outside Trujillo.

STATE PROSECUTOR UNHARMED IN TERRORIST ATTACK

PY231553 Paris AFP in Spanish 1530 GMT 23 Feb 87

[Text] Lima, 23 Feb (AFP) -- The Peruvian Civil Guard today reported that State Prosecutor Cesar Elejalde Estenssoro escaped unhurt from an attack by terrorist commandos this morning. The extremists threw explosives, injuring Elejalde's son and the driver of the official vehicle.

Elejalde's son and the driver were taken to the Ricardo Palma Clinic near the site of the attack, which took place about 0930 local time (1430 GMT) behind the state attorney's residence in San Borja, a Lima district.

GARCIA HAILS BRAZILIAN DECISION ON DEBT

PY220054 Madrid EFE in Spanish 2348 GMT 21 Feb 87

[Text] Lima, 21 Feb (EFE) -- Peruvian President Alan Garcia today hailed the Brazilian Government's decision to postpone the interest payments on its foreign debt.

Garcia said it is a significant decision that indirectly supports the position that the Peruvian administration announced a year and a half ago, when Garcia himself announced that Peru would earmark only 10 percent of its export income to servicing its $14-billion dollar foreign debt.

The Peruvian president said that President Sarney's decision expresses the will of the people who dare to say that they have the right to choose their own destiny.

Garcia added that the Peruvian economy can grow with the help of the nation's reserves, which stand at $1.9 billion.

The Peruvian president made these statements during a 45-minute speech he delivered at the 11th meeting of the Permanent Conference of Latin American Political Parties, which is being held in Lima.

Foreign Minister Echoes Praise

PY210201 Paris AFP in Spanish 0054 GMT 21 Feb 87

[Text] Lima, 20 Feb (AFP) -- Peruvian Foreign Minister Allan Wagner said here today that the Brazilian Government's decision to suspend the interest payments on its foreign debt for 3 months confirms that the Peruvian attitude toward the foreign debt is correct.

Wagner told journalists during a press conference at the Foreign Ministry in Lima that "like Brazil, other countries are experiencing circumstances that prove that continually refinancing the debt -- which merely increases the principal and, therefore, the interest payments -- is the wrong approach."

Wagner added that 1 and 1/2 years ago Peru abandoned this approach and independently established a bottom line for the servicing of its own foreign debt. "We believe that in this regard the Latin American countries are taking stronger and stronger steps to rescue the economic sovereignty of our peoples so as to be better prepared to defend their interests," Wagner concluded.

The Peruvian foreign minister made these remarks after exchanging notes with his Bolivian counterpart, Guillermo Bedregal Gutierrez, ratifying a Peruvian-Bolivian agreement.

BANK PRESIDENT ON UNCHANGED POSITION TOWARD IMF

PY201700 Paris AFP in Spanish 1518 GMT 20 Feb 87

[Text] Lima, 20 Feb (AFP) -- Central Reserve Bank [BCR] President Leonel Figueroa has stated here that Peru will maintain its position of neither paying its $200 million due debt to the IMF nor receiving IMF missions.

Relations between the IMF and Peru have been strained since August last year, when Peru failed to pay its due debt, and the IMF declared it ineligible for new loans. Valdemar de Moraes, a Brazilian citizen and the IMF representative in Lima at that time, left the country and has not been replaced.

Figueroa said in a press conference that the Peruvian Government has recently sent a telex to the IMF noting that when the world economic situation improves, it will be possible to establish new conditions for repaying the foreign debt.

Figueroa stated that the rule established by President Alan Garcia, limiting foreign debt payments to 10 percent of the Peruvian export revenues, will be maintained indefinitely.

The BCR president also said that Peru has obtained a $430-million short-term revolving loan, which is extended every 3 months from European, Japanese, and Arab banks, to finance its trade.

TRADE TALKS WITH USSR OFFICIAL AT 'STANDSTILL'

PY202208 Montevideo EL DIA in Spanish 7 Feb 87 p 5

[Text] The talks about future trade relations between Uruguay and the Soviet Union are at a standstill. This problem was evaluated yesterday by officials of the two countries during a long meeting at the Foreign Ministry.

Soviet Deputy Minister of Foreign Affairs Viktor Komplektov at 1700 met with acting Foreign Minister Alberto Rodriguez Nin. For about 3 hours they discussed issues of common interest, especially the interruption in trade negotiations.

Official spokesmen have told EL DIA that the Soviets want to establish a balanced commercial agreement. Uruguay, which is currently buying oil and capital goods from the Soviet Union, wants to continue buying oil and even increase the purchase of finished products. Uruguay also wants the USSR to increase its imports from our country by about $100 million within the next 3 years.

The two countries hope to reach an agreement before the trip President Julio Maria Sanguinetti will make to Moscow during the next European summer for which a date has not yet been set, but the problem remains that an agreement has not been reached on the basis for negotiations.

The sources revealed that contacts will be resumed in the next few days.

The meeting was also attended by Soviet Ambassador Yuriy Lebedev and Uruguayan Foreign Ministry officials Adolfo Castells, Carlos Perez del Castillo, Mateo Marquez Sere, Alfredo Giro, and Agustin Espinoza, as well as officials in charge of the Socialist Countries Department.

In addition to trade matters, various issues related to international politics also were discussed. Deputy Minister Komplektov explained the Soviet position on disarmament, which opposes President Ronald Reagan's Star Wars project. The two officials also discussed the issue of Afghanistan. Komplektov reported on the withdrawal of some of the Soviet troops there and that a cease-fire, already implemented by the government, is expected to be announced by the rebels.

Another issue was the Iran-Iraq war. Komplektov, who does not see a solution to the conflict, expressed the fear that it could become a threat to the region.

Komplektov reiterated his government's support for the Contadora Group peace efforts and said that the tour of the UN and OAS Secretaries General through Central America was very interesting.

COSTA RICA

MADRIGAL DENIES CUBA REQUESTED PEACE PROPOSAL

PA191712 San Jose Radio Reloj in Spanish 0100 GMT 19 Feb 87

[Text] Foreign Minister Rodrigo Madrigal Nieto has denied reports circulating this afternoon to the effect that representatives of the Cuban Government of Fidel Castro had arrived in this country to contact the government of President Oscar Arias and to request the peace proposal.

Foreign Minister Madrigal Nieto said that the Foreign Ministry has no knowledge of any such contacts, much less for a document in which Fidel Castro's regime would have endorsed the peace proposal that the Guatemalan, Salvadoran, and Honduran presidents discussed with their Costa Rican counterpart last Sunday.

Nicaraguan Ambassador Claudia Chamorro Barrios said in front of Foreign Minister Madrigal Nieto that she knew nothing to that effect either.

NICARAGUAN MINISTER GRANTED POLITICAL ASYLUM

PA220434 Paris AFP in Spanish 1632 GMT 21 Feb 87

[Text] San Jose, 21 Feb (AFP) -- Official sources have informed the press that Costa Rica has granted political asylum to Jose Maria Alvarado, a former Nicaraguan minister who sought refuge in the country in December.

Alvarado, former Nicaraguan communications minister, said that he left his country because of "ideological differences and the ideological regime being (?imposed)."

Luis Guillermo Solis, adviser of the Costa Rican foreign minister, told the local press that President Oscar Arias had authorized granting Alvarado asylum. The authorization also includes Alvarado's wife and children.

FORMER SECURITY MINISTER TREJOS SHOT TO DEATH

PA222117 Panama City ACAN in Spanish 2054 GMT 22 Feb 87

[Text] San Jose, 22 Feb (ACAN-EFE) -- Diego Trejos Fonseca, former security minister was murdered at noon today. He was wounded in the head and chest, a police source announced.

Captain Francisco Quesada, from the Cartago police station, told ACAN-EFE that the body of the 49-year-old former government official was found at the entrance of his farm at noon today. The farm is 20 km east of this capital.

Police authorities have surrounded the area while they investigate what motives could have lead to the assassination of the man who was security minister of Costa Rica from 1966 to 1970 during the administration of his father, Jose Joaquin Trejos Fernandez.

News sources have said that it is believed that robbery was the reason for the killing since some valuable objects are missing from his automobile.

EL SALVADOR

GOVERNMENT MINISTERS COMMENT ON TAX RULING

Duarte, Vides on Ruling

PA210422 San Salvador Television Educativa in Spanish 1200 GMT 20 Feb 87

[Text] President Jose Napoleon Duarte has reiterated that the government will abide by the Supreme Court of Justice ruling, but it will seek other alternatives to obtain the 120 million colones that the Armed Forces require to continue their struggle against subversives. The president referred to the unconstitutionality ruling announced by the court on yesterday.

[Begin recording] [Duarte] This is a Supreme Court of Justice ruling, which all of us must accept as of this moment according to the country's constitution and bylaws, whether we like it or not. Such is a de jure state and the democratic process. Therefore, I -- as the president and as the representative of the executive branch -- will faithfully abide by this ruling. This does not mean that I will not be concerned about the 120 million colones that have been spent by the Armed Forces and that we must somehow recover. This is why I will continue to try to collect those 120 million colones that the Armed Forces require to defend democracy and justice. All of us Salvadorans must understand the democratic process in which we live.

[Reporter] Does this situation represent a monetary difficulty for the Armed Forces?

[Duarte] Yes, it does represent a problem. Now that the court has stated that there will be no income and that we will not be able to pay those disbursements, the Armed Forces will for the time being have to take into consideration its own debts. Most likely, the Armed Forces defense budget will be affected. I repeat, however, that I have made a great effort to find a solution. If it is not possible this way, then we will have to look for another. But I will not let down the Armed Froces, because they are struggling to give liberty and justice to our people, and they need the people's assistance. [end recording]

In addition, Defense Minister General Eugenio Vides Casanova has said that the Armed Forces will abide by the Supreme Court of Justice ruling and that this moment represents the beginning of true democracy in the country. The minister said that the court's ruling declaring as unconstitutional the tax for the defense of the national sovereignty demonstrates the democratic process in the country. He regretted, however, that some sectors are not willing to contribute toward the nation's defense and security.

[Begin recording] [Vides] Although the Armed Forces are not pleased by the rejection of the national sovereignty, we agreed from the outset to respect the constitutional and democratic process in the country. I think this court ruling is the beginning of a true implementation of the country's democratic process.

The Armed Forces have accepted, as they will accept in the future, the ruling of the honorable Supreme Court of Justice. Naturally, the Armed Forces will have to seek other ways to secure these resources needed to defend the interest of all Salvadorans.

[Reporter] This bill, approved by the legislative assembly last year, has elicited a confrontation between the government and a certain private enterprise sector. What do you think about this?

[Vides] I could also tell you that we are happy to see that the taxes decreed lately have been discussed by the government and the opposition. Although the two sectors have shown they can forward their requests, the country's democratic forces are unfortunately unaware of the seriousness of the nation's current situation. I think this struggle should be effected moderately. Otherwise, the country's democratic forces destroy themselves and confuse the public with so many opinions.

[Reporter] Why do you think that some sectors that enjoy considerable income refuse to pay this tax for the defense of national sovereignty?

[Vides] Some of these sectors acted under the impression that the decree was unconstitutional. We have proof of this at this moment. Many of the sectors involved are afraid that taxes will be applied by surprise in the future. No one likes new taxes to be imposed. I think, however, that the moment will come when they will realize that if we do not sacrifice something of what we already have and if those who have more do not sacrifice more -- because they are the ones who will lose more -- it will be even more difficult to pacify our country. More blood will have to be shed, not only of our soldiers but of civilians as well. Time will become shorter and shorter. Our needs will become greater and greater. Our resources will become more and more limited. Naturally, this puts the day of our country's pacification even farther in the future.

[Reporter] Do you think that this ruling will influence the United States into cutting aid for El Salvador, particularly military aid?

[Vides] I think not. It will perhaps be more important for the United States, and it will give us more aid because it knows that we respect the democratic process. Our acceptance -- as we should do in the future and as we should always have done -- of the Supreme Court of Justice ruling by respecting the interdependence of the three state branches will also reinforce the Salvadoran Government's position regarding respect for the democratic process. One of the reasons we have been getting aid is because we have been respecting the democratic process and human rights, and because we are also struggling properly in the country. Consequently, it will perhaps be more difficult to get this aid. As for myself, it will be shameful to have to ask for additional aid because those who can pay here do not want to share in the defense of the country. We could hardly believe that someone else will be enthusiastic about giving us money to defend someone else's interests while we are not willing to give to defend what is ours. [end recording]

Samayoa: Ruling 'Dangerous'

PA221733 San Salvador Canal Doce Television in Spanish 0300 GMT 21 Feb 87

[By Marco Antonio Guevara]

[Text] Justice Minister Julio Alfredo Samayoa termed the Supreme Court of Justice ruling as dangerous because it inhibits the Legislative Assembly from creating special taxes.

The plaintiff's arguments were set aside, and the court ruling on the war tax is 95-percent doctrinaire as a smokescreen for making a political decision, said Justice Minister Julio Alfredo Samayoa. The most serious matter in this issue is that this ruling says that the Assembly does not have the sovereign power to create special taxes.

Samayoa added that since the Assembly constitutionally lacks the power to create special taxes, Decree 481 and its additions, amendments, and reforms made through Legislative Decree 589 are unconstitutional, which applies to all of its articles. This situation, of course, legally forbids the court from considering the rest of the articles challenged in the suit for the basic reason that [words indistinct].

We maintain that the tax is constitutional although it is clear that the law is the power, Samayoa said. Minister Samayoa added that he was expressing the government's opinion on this issue and said that the fact that they will observe the ruling does not mean that they agree with it. The ruling, he said, refers to a case in which the assembly approved a unique and special tax during the PCN [National Conciliation Party] days, shortly before the non-declared war with Honduras in 1969, when the current court president was foreign relations ministers.

Regarding the court interpretation, the justice minister also questioned what would happen in case of a significant offensive, and what resources would the government use to assume its reponsibility in those cases.

2 STUDENTS INJURED IN PROTEST AT U.S. EMBASSY

PA210143 Panama City ACAN in Spanish 0101 GMT 21 Feb 87

[Text] San Salvador, 21 Feb (ACAN-EFE) -- Some 200 university students and members of humanitarian organizations demonstrated today in front of the U.S. Embassy to protest the "U.S. intervention in El Salvador."

Two of the demonstrators were injured seriously when two vehicles did not heed a stop sign and crashed into the group.

The demonstrators shouted and painted slogans protesting against the Reagan administration's policy in this country.

The students and members of the humanitarian organizations also protested against the government of Jose Napoleon Duarte and his "warmongering policy."

In addition, they demanded an end to the civil war, the beginning of talks with the armed rebel groups, respect for human rights, and an increase in the university budget.

The demonstrators, who left the National University campus this afternoon, wound up at the U.S. Embassy, 1 km from the university, in the northeastern sector of this capital.

One of the injured students, who was taken to a hospital, is 35 years old, and a member of the Committee of Mothers of Political Prisoners and Missing Persons [Comite de Madres de Presos y Desaparecidos Politicos] (COMAFAC).

Another student who was hit by a vehicle was not identified, but it is presumed that he is a member of the University Students Front of El Salvador [Frente de Estudiantes Universitarios Salvadorenos], (FEUS), one of the organizers of the protest demonstration.

The demonstration blocked traffic on the street adjoining the U.S. Embassy.

U.S. HELICOPTER REPORTED NEAR PERQUIN

PA210229 (Clandestine) Radio Venceremos in Spanish to El Salvador 0137 GMT 21 Feb 87

[Text] Today at 1330 local time, a helicopter of an unknown type, but bigger than a UH1H helicopter, which had U.S. Air Force insignia on its right side, entered the airspace of Morazan Department from Honduras. The helicopter flew over different points of the territory north of the Torola River, near Perquin. The helicopter entered more than 100 km inside Salvadoran territory. While the helicopter was flying over Perquin, it opened up with machine-gun fire over the civilian town against residents who were receiving medicine and food from an outlet of the International Committee of the Red Cross. Red Cross delegates witnessed the U.S. helicopter's firing. We are presently confirming if there were any casualties in the attack. There were many civilians walking towards the Red Cross outlet.

At the same time, another U.S. Air Force helicopter flew over the area of Nahuaterique, El Carrizal, near the border with Honduras.

We report to the public that in the past few days, since the beginning of the U.S. -Honduran military maneuvers, Yankee helicopters have violated Salvadoran airspace in northern Morazan Department. The closeness of the U.S.-Honduran military maneuvers has concerned the Salvadoran civilian population, because weapons and planes can be heard in the area north of Perquin.

Radio Venceremos reports to the Salvadoran people and to the peoples of the world this serious act of aggression against our fatherland by the Yankee government. We also reiterate our decision to repel any act of aggression against our territory and against our national sovereignty.

FMLN ANNOUNCES POWER SYSTEM SABOTAGE CAMPAIGN

PA221847 (Clandestine) Radio Venceremos in Spanish to El Salvador 1400 GMT 22 Feb 87

[Text] As from this moment, the national sabotage campaign against the electrical system begins, within the framework of the military campaign "Heroic January, Farabundo Lives," and also rejecting the air incursions by U.S. helicopters. The national sabotage campaign will cover all of the country. We call upon our people to take the necessary precautionary steps and to be prepared for prolonged power outages.

CDHES CLAIMS HONDURAN TROOPS KILLED SALVADORANS

PA240320 San Pedro Sula TIEMPO in Spanish 23 Feb 87 p 3

[Text] Tegucigalpa -- The Human Rights Commission of El Salvador (CDHES) has reported that Honduran troops entered Salvadoran territory, killed two individuals, and captured four. Honduran authorities have not yet reacted to this report.

According to Salvadoran human rights activists, Honduran soldiers killed Miguel Guardado and Maria Gumercinda Menjivar and captured Guardado's wife and daughter, Ana Maria Melgar and 7-year-old Silvia del Carmen Melgar.

The other Salvadorans who were allegedly captured are Eliseo Alas and Humberto Nunez Rivera, who had taken advantage of the refugee repatriation program.

A CDHES communique states that on 5 February a helicopter of the Honduran Air Force machine-gunned civilians in the Cuevitas Canton, Chalatenango Department, "provoking panic among the population and causing property damage to houses and crops. On that same day, soldiers of Cucuya Battalion captured Eliseo Alas in Los Prados Canton; his current situation is unknown."

The Salvadoran commission, which "denounced the silent complicity" of the Napoleon Duarte government "in view of the murder of Salvadorans by Honduran troops," added that on 6 February "citizens Miguel Guardado and Maria Gumercinda Menjivar were killed in Santa Lucia Canton."

"In that action, Honduran troops captured Miguel Guardado's wife, Ana Maria Melgar, and her daughter Silvia del Carmen Melgar, whose whereabouts are still unknown" the human rights activists from San Salvador stated in a report presented by the Human Rights Defense Committee in Honduras (CODEH).

That report stated that on 8 February, Humberto Rivera was captured by soldiers of the 7th Battalion of Cucuyagua, Ojo de Agua, Chalatenango Department. Rivera had spent only 5 months in El Salvador after having returned from refugee camps in Mesa Grande and having taken advantage of repatriation programs.

GUATEMALA

PRESIDENT CEREZO BEGINS TRIP TO SOUTH AMERICA

PA221332 Hamburg DPA in Spanish 1547 GMT 21 Feb 87

[Excerpt] Guatemala City, 21 Feb (DPA) -- President Vinicio Cerezo Arevalo today began a trip to South America where he will visit Peru, Argentina, and Uruguay in an attempt to strengthen diplomatic and commercial relations with Guatemala. President Cerezo will also make known the democratic system practiced in Guatemala and reiterate Guatemala's policy of "active neutrality" in the Central American conflict.

The Guatemalan president, who is accompanied by his wife Raquel, Foreign Minister Mario Quinonez Amesquita, and other officials, will arrive in Lima today where he will be met by Peruvian President Alan Garcia. Cerezo will remain in Peru until Sunday, 22 February.

The second leg of his trip will take him to Argentina where he will arrive on Monday, 23 February. In Argentina President Cerezo will meet with Argentine President Raul Alfonsin and attend other events. His visit to Argentina will end on Thursday, 26 February, and on that same day he will arrive in Montevideo where he will meet with Uruguayan President Julio Maria Sanguinetti.

During Cerezo's absence from Guatemala -- he will return to the country on 3 March -- Vice President Roberto Carpio Nicolle will assume all the presidential duties. [passage omitted]

DEFENSE MINISTER DENIES UK TROOPS' PRESENCE

PA210341 Guatemala City Radio-Television Guatemala in Spanish 0400 GMT 20 Feb 87

[Excerpts] The Army denied today that British troops have established a center of operations in Poptun, Peten, on the border with Belize. However, on this same day, a farmer, (Carlos Ralda), has reaffirmed his charges to that effect. [passage omitted]

Defense Minister General Hector Gramajo denied such statements when he was interviewed for "Here's the World".

[Begin recording] [Reporter] General, it has been said that British troops have taken over 10 km of Guatemalan territory and annexed it to Belize. Is there any truth to this and to the report that the highway was not built up to the Belizean-Guatemalan border?

[Gramajo] That is definitely not so. British troops have not taken over any part of Guatemalan territory. We are in constant contact with them, and we are constantly patrolling the border area. In 1976, we concluded the construction of a highway up to [words indistinct] just before San Luis and through Pusila, to a place close to the border. The truth of the matter is that in 1976, the highway reached the place we called the line of demarcation, which we could not call the border. We claim sovereignty over that territory. In addition to building that highway, [words indistinct] the areas became populated as the construction advanced. We went as far as the banks of the river that marks the point where the highway reached. That also marks the line that is recognized today [as the border], and there are Gutemalan people up to that point. There is nothing there that can support the statements to the effects that foreign personnel are in Guatemalan territory.

[Reporter] It has been said that many peasants have also lost their crops because of that incursion. Do you rule this out definitely, since the Army maintains perfect control?

[Gramajo] The Army maintains constant control of the area -- not only constant, but coordinated with the troops that are in Belize.

[Reporter] Apparently, the British troops have more arms there than Guatemala does. (?It has) been said there are three heliports in that sector that was attached to Belize.

[Gramajo] Military activities in that area back in the years 1975 and 1976 were very heavy, as you may very well remember. When we worked on that highway, they had their activities on their side to watch over. That highway was concluded exactly on the banks of that line that is the border today. [end recording]

SPOKESMAN DENIES LETONA LINARES' RESIGNATION

PA201704 Guatemala City Cadena de Emisoras Unidas in Spanish 0050 GMT 20 Feb 87

[Text] Army spokesman Colonel Roberto Letona Hora has emphatically denied rumors that circulated today. According to these rumors, a group of Army officers requested or demanded General Edilberto Letona Linares' resignation and that Letona Linares had reportedly left the country.

Letona Hora explained that Letona Linares left for the United States for a medical checkup because his health has not been very good in the past few months. Letona Hora stressed that it is not true that the trip was prompted by pressures from the Army urging Letona Linares to leave the country.

ARMY DENIES DESIRE TO PARTICIPATE IN COMMISSION

PA201953 Guatemala City Cadena de Emisoras Unidas in Spanish 0050 GMT 20 Feb 87

[Text] Army spokesman colonel Roberto Letona Hora has stated that it is not true that the Army asked the executive branch to permit the participation of an Army representative in the commission that will investigate the whereabouts of missing people demanded by the Mutual Support Group, GAM.

Letona Hora said that the Army is also interested in settling the matter of human rights violations but denied that it wants to fully participate in the investigation.

MINISTER SAYS RIGHTS VIOLATED IN COUNTRY

PA202010 Guatemala City Cadena de Emisoras Unidas in Spanish 0050 GMT 20 Feb 87

[Text] Government Minister Juan Jose Rodil Peralta announced today that Guatemala is a society that violates human rights, thus contradicting remarks made by Army spokesman Roberto Letona in this regard. Letona denied that human rights are violated in our country.

Rodil Peralta viewed human rights violations from the standpoint of wages and unjust prices, as well as nonpolitical aggressions.

He said that the government will implement measures to prevent an increase in violent acts and the crime rate. He added that these measures will give some results by mid-1987.

The minister said that the government has made the irreversible political decision to declare an all-out war on crime. He said very harsh measures will be taken to reduce the wave of violence.

Rodil Peralta praised the national police and noted that deaths because of stab wounds and bullet wounds have decreased by 20 percent so far this year. He said that police have arrested 7,932 people in an extraordinary and efficient effort.

AUTHORITIES IMPOSE ALERT AROUND PACAYA VOLCANO

PA240409 Panama City ACAN in Spanish 0329 GMT 24 Feb 87

[Text] Guatemala City, 23 Feb (ACAN-EFE) -- Guatemalan authorities today imposed a state of "general alert" around the Pacaya Volcano in the wake of the reactivation of a number of eruptions that began 1 month ago.

The volcano, which is 2,552 meters high and located 25 km south of the capital, is again spewing lava and sand on five nearby towns that suffered serious damage on 21 and 25 January when the volcano erupted violently.

Eddy Sanchez, deputy director of the Seismology, Vulcanology, Metereology, and Hydrology Institute (INSIVUMEH) reported that "Pacaya has been under special observation since then because of the danger it poses."

Sanchez remarked that this volcano could explode with the force of an atomic bomb and create "hot clouds with temperatures above 1,200 degrees centigrade and speeds of over 400 km per hour."

On the evening of 21 January, another crater of Pacaya opened and large ignited rocks were thrown on the houses in nearby towns causing damage, especially on their ceilings.

On 25 January the eruption gained sudden violence with the emanation of lava, sand, ashes, and toxic gases that forced the evacuation of more than 500 area residents.

Since then, Pacayahas been under observation because experts believe that a large-scale eruption could take place any time.

Volcano activity today was described as "slight," but INSIVUMEH and the National Emergency Committee (CONE) insisted on the state of "genral alert" as a precaution in case of any contingency.

NICARAGUA

ORTEGA ADDRESSES FOREIGN DIPLOMATS AT RESORT

PA202253 Managua Domestic Service in Spanish 0300 GMT 20 Feb 87

[Text] At noon today, President Daniel Ortega Saavedra; his wife, Rosario Murillo; and Vice President Sergio Ramirez feted members of the diplomatic corps at a luncheon held at El Trapiche beach resort to commemorate another year of revolutionary government. The event was also attended by some ministers of the revolutionary cabinet. President Ortega talked with the diplomats and members of their families.

President Ortega, Vice President Ramirez, Foreign Trade Minister Alejandro Martinez Cuenca, INTURISMO [Nicarguan Tourism Institute] Minister Herty Lewites, Supreme Court Chief Justice Alejandro Serrano, and Foreign Relations Vice Ministers Jose Leon Talavera and Javier Chamorro Mora, among others, had a meeting with ambassadors accredited here.

During the meeting, President Ortega extended New Years' greetings to the diplomats and emphasized his government's concern over the problems confronting the Central American region in view of increasing interference by the U.S. Government in the countries of the area. Commander Ortega added that Nicaragua has made clear its willingness to find a peaceful solution to the region's conflicts, within their framework of the peace efforts made by the Contadora and Support Groups, which have the support of the international community.

He also explained that Nicaragua maintains the state of emergency because of the aggressive U.S. Government policy and because it is clear that the U.S. Government has no interest whatsoever in finding a peaceful solution to the Central American conflict. Nobody can be sure that the U.S. Government will act rationally, because so far it has acted irrationally. We continue to make efforts in the international political arena, insisting on dialogue, but the U.S. Government insists on a military solution even though so many efforts have been made to bring peace to the region, President Ortega said. He mentioned the tour made by the UN and OAS secretaries general, together with Contadora and Support Group foreign ministers, through the Central American region.

Concerning the recent presidential summit held in San Jose by the presidents of Costa Rica, Guatemala, Honduras, and El Salvador, the Nicaraguan president said that even though Nicaragua was excluded from the meeting, it has once again been demonstrated that a dialogue is necessary to discuss the problems affecting us.

He said that among the positive results of that meeting has been the call for another meeting of Central American presidents to be held in Esquipulas, which Nicaragua is willing to attend; and President Arias' peace proposal; but he made it clear that such a proposal cannot materialize outside the Contadora and Support Groups.

We Central Americans cannot deviate from the Latin American context when seeking a solution to our problems. We feel that this is the time when we are most compelled to show greater support for dialogue, President Ortega said.

Commander Ortega sent the presidents of Honduras, El Salvador, Costa Rica, and Guatemala a message from the Government and people of Nicaragua, a message in favor of dialogue, peace, and a peaceful solution, despite the tensions existing among our countries created by the U.S. Government. We are obliged to eradicate all types of misunderstandings because we, as Central American presidents, have an even greater concern, which is that our peoples are demanding peace from us, President Ortega added.

To conclude, he reiterated the Nicaraguan Government's commitment to peace and thanked all countries for their interest and concern in contributing to the reconstruction of Nicaragua.

PAPER EXAMINES RULING DOCUMENT ON ECONOMY

PA202212 Managua BARRICADA in Spanish 18 Feb 87 p 3

[Text] The need to ensure the fulfillment of the production goals for 1987 has caused the FSLN to include in its ruling document a set of policies and tasks that involve all levels of the economy, from the government sector to producers to the working class to the people in general.

Aspects such as the transformation of the land ownership structure and the handling of the government and private sectors are approached with government policies that call for great institutional effort. Other aspects such as the control of the economy and defense, and the regulations of cattle ranches will be prompted by the initiative of the government, producers, and workers. The challenge of the socioeconomic efforts in 1987 will be put to these plans into action.

Struggling against the economic crisis and fighting negative tendencies, the FSLN will exert itself in guaranteeing the fulfillment of production goals by increasing net exports and by ensuring goods and services for the Armed Forces and for the people's survival.

This has been established in this year's ruling document, which includes objectives such as the strengthening of the economy and of the productive sector. The foreign sector of the economy intends to take steps to guarantee financing and trade to obtain special conditions to pay Nicaragua's foreign debt. Other measures will also be adopted to correct the financial imbalance.

Toward the Recovery of Exports and Consumption [subhead]

These guidelines, also included in the year's technical-economic plan, are intended to recover the most important productive spectors, such as exports and basic consumption. Regarding exports, the plan intends to guarantee the fulfillment of the 1987-88 agricultural cycle goals and to increase the sales of coffee, bananas, sugar, tobacco, cotton, sesame seeds, and other nontraditional products.

In addition to this, the plan also calls for the transformation of the land ownership structure, the changes of which must be made according to the needs of production, territory, and military defense.

In the handing over of lands, the document calls for the recovery of productive lands that have been abandoned because of counterrevolutionary activities, and idle lands that have been reassigned to cooperatives.

Agrarian reform enterprises will continue to operate. The demands of peasants without land will be taken care of according to the agrarian reform plans, and will be linked to the cooperatives' consolidation plans, to territorial projects, and to the transportation of peasants from dry areas to better farming lands.

Role of the AFP [People's Ownership Sector] [subhead]

For 1987, the plan also includes taking steps for effective governmental supervision over the important aspects of production and supply. The AFP will become production sectors.

For this to be implemented, the enterprises must be capable of supplying to workers the tools and services they need, and they must also ensure storing a share of the private sector's and the cooperatives' production. Priority will be given to increasing storage space for coffee, basic grains, milk, beef, rice, vegetables, and perishable products.

Likewise, official agencies will be given the necessary autonomy to develop their economic functions.

Small- and medium-sized farms and ranches will be given greater attention through public assistance programs and credits, coordinated by government agencies located nearby, and by the national financial system.

Programs will be designed to guarantee a supply of raw materials and organized storage to make production more dynamic and to achieve social goals.

In the case of medium- and large-scale agricultural producers, incentives and foreign exchange for exports will be allocated to ensure full exploitation of their productive capacities.

Integration of industrial products into overall production plans will be perfected by regulating and gradually mechanizing industrial activity.

Defining Negative Economic Trends [subhead]

The plan involves taking certain steps to cope with budget deficits, lack of investments, and currency devaluations. The main tax goal is to broaden the tax base and make government spending more efficient.

Financially, it will be necessary to regulate loans to companies, thereby maximizing self-financing.

Price policy will seek an overall reduction in expenditures, adjustment of prices in favor of production, and control of cash flow to ensure reasonably priced supplies for farm and city workers.

Preserving Cattle [subhead]

One of the plan's main goals is recovery of the country's cattle herds, a goal directly linked to exports and feeding the people. In order to reach this goal, beef consumption will be reduced and priority will be given to milk subsidies. Likewise, the cattle stock defense law will be applied to control slaughter, and investments will be promoted to boost the reorganization and promotion of cattle-raising.

As for the infrastructure (energy, construction, and transportation) that affects meeting productive and investment goals, maximum attention will be given to conserving existing resources and current installed capacity. This will guarantee the physical infrastructure for investment projects that are already being given priority, and for new energy projects.

With these measures, the FSLN seeks to reach predetermined production goals and to guarantee cooperation from all government levels, producers, and the working class. The economy is going to be very difficult to manage in 1987, but increased counterrevolutionary defeats will make possible improved conditions in the context of survival economy.

DEPUTY MINISTER MEETS WITH U.S. CONGRESSMEN

PA210414 Managua BARRICADA in Spanish 18 Feb 87 p 5

[Text] Deputy Interior Minister Luis Carrion held a broad and open dialogue yesterday with a delegation of U.S. Democratic and Republican congressmen.

"They were interested in learning about the Nicaraguan stance on the San Jose meeting, about the presence of military advisers in the region, and about certain domestic policies of our country," Carrion said. "It was an honest conversation, in which they expressed their concerns, and we expressed ours regarding the U.S. Government policy as an obstacle for a peaceful agreement in the region," Carrion said.

Carrion also spoke in favor of "congressmen coming to Nicaragua more often and for a longer period of time to build a communications bridge with the U.S. people."

Regarding Calero's dismissal as the main counterrevolutionary figure, the Sandinist leader said that "it shows what they really are: puppets of the U.S. Government, which decides who goes and who stays. It also shows the internal decomposition of the mercenary ranks because of the military defeats and because of the debate regarding the millions in aid to the contras."

Carrion also asked the Central American countries to strengthen the Contadora and Support Groups' peace efforts instead of isolating them.

ARTICLE CRITICIZES UNO REORGANIZATION, AGENDA

PA211328 Managua BARRICADA in Spanish 20 Feb 87 p 3

[By Daniel Martinez]

[Text] The mercenary nature (man who fights and gets paid for it) of the counterrevolutionary army has once again become evident. It is also clear that the beginning and end of every counterrevolutionary action is in the White House.

The UNO [Nicaraguan Opposition Unity] coalition was created in 1985. It was a Reagan maneuver to create an organization that would receive the "humanitarian" aid that the U.S. Congress had approved.

Now that Calero's godparents, Casey and North, have had to step out of the scene -- because of the scandal involving the sale of weapons to Iran -- the FDN Chief has found himself weakened.

At the summons of Abrams and Carlucci, Robelo and Cruz visited Washington and reached an agreement with the Reagan leadership regarding the reorganization of the counterrevolutionary movement.

Robelo later admitted that "only an efficient leadership, with moderate liberal members who enjoy credibility in Europe, with our allies (sic), and with the U.S. Congress, can carry out this plan and guarantee 2-day attacks and military and diplomatic pressures."

Well, now we know. All we must figure out now is why a discussion regarding the death dollars calls for the democratization of those criminals?

Whom do they think they are fooling by saying that they are moderate liberals? What must Europe believe? All that is clear is that they are preparing to fight for dollars. Second, they are not trying to be moderate. They are merely trying to give the appearance of being moderate. Third, and last, they have no chance of a military success.

However, since the maneuver is being planned in the United States we must give it some attention. This does not mean that Robelo and Cruz will be less guilty of all the crimes committed by the FDN under the leadership of Calero and Bermudez. The fact of the matter is that U.S. propaganda is very powerful and it will be a made-up campaign aimed at improving the damaged image of the contras.

By doing this they plan to get money from the U.S. Congress using the false excuse that this time the money will be going to democratic people, that there will be some changes since the mercenary forces have not been successful against the Sandinist troops. They will try to portray the contras as a worthy interlocutor capable of dialogue. They will also try to justify actions that directly involve U.S. troops in the defense of this "democratic opposition" coalition.

The truth of the matter is that for the time being the contras lack a head, and in the struggle for dollars it is the White House that decides on the reorganization, thus showing that it is the mercenary army's general staff. Therefore, we must not pay too much attention to those who are fighting for the prize. However, the hands and intentions of the one giving the money must be closely watched. Once again, the person who pays the musicians is the one that chooses the kind of music to be played.

PLI'S SELVA DENIES LINKS TO CONTRAS

PA240216 San Pedro Sula TIEMPO in Spanish 23 Feb 87 p 17

[Text] Tegucigalpa -- Guillermo Selva, vice president of Nicaragua's Independent Liberal Party [PLI], has asserted that the Nicaraguan counterrevolutionaries financed by the United States cannot possibly defeat the Sandinist government.

Selva visited Tegucigalpa to participate in the first meeting of the Federation of Liberal Parties of Central America and the Caribbean (FELICA) Executive Committee, and the Nicaraguan civic opposition, which is carried out by the PLI, was given full support.

The politician told TIEMPO that the situation in Nicaragua "has become even more critical in the social, political, and economic sectors; and the war continues."

The PLI leader said that his organization advocates a political solution to the internal conflict in Nicaragua. Nevertheless, he said that "the government party is the obstacle that precludes a national dialogue with the civic opposition." He asserted that his party is not linked to the anti-Sandinist rebels financed by the United States who are trying to oust the Nicaraguan Government. He said that the so-called contras, who have their main bases in Honduras, "have no capacity to defeat the Sandinist government."

He indicated that the contras' activities are carried out within the framework of a low-intensity conflict in the political, diplomatic, economic, and military areas.

Selva said that "the contras and the FSLN are armed minorities" and most of the Nicaraguan people "advocate a political solution."

He said that the PLI acvocates the Contadora Group's peace efforts and the latest peace initiative presented by Costa Rican President Oscar Arias Sanchez.

PROTEST NOTE SENT TO COSTA RICA ON UNO MEETING

PA231602 Managua International Service in Spanish 1503 GMT 23 Feb 87

["Text" of note sent by Acting Minister Jose Leon Talavera to Costa Rican Foreign Minister Rodrigo Madrigal Nieto on 21 February]

[Text] Mr Minister:

I address Your Excellency in reference to the announcement of a special assembly of the so-called Nicaraguan Opposition Unity, UNO, which is composed of mercenary organizations created, financed, and directed by the U.S. Government.

Although this meeting has been publicized in the international media, the Costa Rican Government has not adopted the pertinent measures to prevent its realization.

The meeting of these terrorist organizations will be attended by, among others, counterrevolutionary leader Arturo Cruz, who, according to reports, received a monthly salary of $6,000 from the U.S. Government through Oliver North.

The Nicaraguan Government formally and strongly protests the fact that the Costa Rican Government would permit and tolerate this type of meeting on its territory with the participation of military organizations acting as instruments of the policy of force, threats, and intervention of the U.S. Government against Nicaragua, in a flagrant violation of the ruling issued by the International Court of Justice [IC] on 27 June 1986.

In addition, such a meeting would be a clear intervention in my country's domestic affairs and a flagrant violation of international common law, the UN and OAS Charters, and other current treaties.

The Costa Rican Government's authorization of this meeting of mercenary groups will no doubt become one more undeniable piece of evidence in the suit that Nicaragua filed at the ICJ.

In closing, I must convey to Your Excellency the Nicaraguan Government's profound concern over the announcement made by U.S. Government officials and counterrevolutionary leaders regarding an eventual transfer of the main coordination center of the so-called UNO terrorist organization from Miami to Costa Rica.

Once more, Nicaragua urges the Costa Rican Government to observe the basic rules that regulate the coexistence among states, and truly and effectively comply with its proclaimed neutrality, for which it is fundamental that the Costa Rican authorities adopt, among other things, the necessary measures to prevent the use of its territory for actions against the Nicaraguan people and government.

I avail myself of this opportunity to reiterate to Your Excellency my esteem and consideration.

[Signed] Jose Leon Talavera, acting foreign minister

CHAMORRO SAYS OPPOSITION DIVISIONS TEMPORARY

PY220049 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 19 Feb 87 p 7

[By O ESTADO correspondent Horacio Ruiz]

[Text] Managua -- The new leader of the Nicaraguan Opposition Unity (UNO), Pedro Joaquin Chamorro Barrios, yesterday warned that the armed struggle in Nicaragua would keep building and the possibilities for a dialogue with the Sandinist government would keep declining. In an exclusive interview with O ESTADO DE SAO PAULO, Chamorro Barrios -- the son of the founder of the Nicaraguan newspaper LA PRENSA who was murdered in 1978 -- affirmed, however, that he does not believe his election as UNO leader will bring an end to the divisions among the various anti-Sandinist factions within UNO. He expects, however, that his election will help to make those divisions disappear in time. The election of Chamorro Barrios to lead the organization, together with Arturo Cruz and Alfonso Robelo, should be ratified this week by the UNO Assembly. He will replace Adolfo Calero, who resigned on Monday, 16 February. Calero, nevertheless, will remain leader of the Nicaraguan Democratic Force (FDN), the largest armed group opposed to the Sandinist government.

Chamorro Barrios has been living in exile for nearly 2 years in San Jose, the capital of Costa Rica. Talking over the phone from that city, he affirmed that he does not believe in an agreement with the Managua regime: "It makes no sense to expect dialogue with the Sandinists now. True, last Sunday four Central American presidents sponsored a peace proposal that will be delivered to Nicaraguan President Daniel Ortega. But the Marxist, totalitarian line of the Sandinists must be considered." Chamorro Barrios then added: "The Sandinists have a different concept of democracy, quite different from ours. I greatly doubt that a cease-fire, as called for under the Central American peace plan, can be attained soon and that a dialogue can be initiated in the near future."

The new UNO leader believes that the difficulty of entering into a dialogue with the Sandinists will not leave any way out other than the escalation of the armed struggle in Nicaragua. He then warned: "The military pressure by the 'contras' should increase in coming months, and the Managua regime will no doubt feel the effects." Chamorro Barrios does not believe that if the "contras" win, there will be new divisions among them: "We are not Lebanese; we are sincere democrats, and differences are only temporary over different viewpoints. At the time of victory, we will all be united."

Chamorro Barrios also said that he does not approve of the pressure being exerted on Adolfo Calero to step down from the FDN leadership. "As a Nicaraguan, Calero has the right to continue leading the group," Chamorro Barrios asserted, adding, "mainly because of the many years he has devoted to leadership in the struggle for democracy in Nicaragua."

RADIO REPORTS CRUZ RESIGNATION, WITHDRAWAL

PA202017 Managua Sistema Sandinista Television Network in Spanish 0200 GMT 20 Feb 87

[Text] The crisis at the White House is accompanied by the crisis experienced by the counterrevolution. Arturo Cruz, one of the UNO leaders, announced in Washington that he will not resign after all. Cruz' announcement was made after Adolfo Calero, top FDN leader, resigned from UNO because of White House pressures.

Calero had become a contradictory figure because of his ties to scandal concerning the diversion of funds to the counterrevolution.

UNO DIVISIONS LEAD TO CONFIRMATION SUSPENSION

PA212016 Paris AFP in Spanish 1959 GMT 21 Feb 87

[Text] San Jose, 21 Feb (AFP) -- Because of the divisions within the assembly of the Nicaraguan Opposition Unity (UNO), the first attempt to ratify Pedro Joaquin Chamorro as successor to Adolfo Calero in the directorate of that anti-Sandinist coalition failed.

The UNO Assembly that today was going to approve Chamorro's appointment had to be suspended just 2 hours after it began amid strong in-fighting between the followers of Calero and the supporters of Arturo Cruz and Alfonso Robelo, also members of the coalition's directorate.

Four of the 13 organizations that comprise the UNO Assembly, including those personally led by Cruz and Robelo, did not even attend the opening of the assembly, something that forced the temporary suspension of the assembly in order to try to reach an agreement.

For his part, Chamarro warned the UNO assembly members that he will only accept an appointment in the leadership of the coalition if the "agreement is by consensus."

In principle, the assembly of the contras will resume on Saturday night [21 February] or Sunday morning to discuss Calero's resignation and vote on Chamorro's nomination.

Chamorro Confirmed

PA230021 Hamburg DPA in Spanish 2339 GMT 22 Feb 87

[Text] San Jose, 22 Feb (DPA) -- Pedro Joaquin Chamorro Barrios, 35, will replace Adolfo Calero in the leadership of the Nicaraguan Opposition Unity (UNO), the plenary meeting of the organization opposed to the Managua regime decided today in San Jose.

Chamorro, son of Pedro Joaquin Chamorro Cardenal, former director of the Managua newspaper LA PRENSA, who was assissinated on 10 January 1978, will replace Calero, who resigned from his position on Monday because of disagreements with the policy followed by the front supporting the anti-Sandinist contras.

Although there was no objection to Chamorro's appointment during the meeting, there was a noticeable confrontation between Calero's followers and the followers of both Alfonso Robelo and Arturo Cruz. During the course of the meeting, which was held beginning yesterday at Hotel Corobici in the Costa Rican capital, both sides hurled accusations at each other, and the meeting had to be suspended several times.

In his initial statements, Chamorro said that he assumed "this responsibility with patriotism." Robelo, Cruz and Calero comprised the UNO leadership for several years.

It was learned today in San Jose that the Nicaraguan Government protested the site of the meeting in Costa Rica, accusing the government of "lending its territory to the contras."

A Foreign Ministry spokesman said this afternoon that "out of tradition Costa Rica grants political space to everybody and even the current Nicaraguan Government leaders had such space in the country several years before Somoza's downfall."

"What we do not grant is space for war," the official asserted. It was reported that UNO will again meet in Miami within 2 weeks.

FDN BEGINS OFFENSIVE, ABANDONS HONDURAN BASES

PA232025 Panama City ACAN in Spanish 1437 GMT 23 Feb 87

[By Armando Cerrato]

[Excerpts] Tegucigalpa, 23 Feb (ACAN-EFE) -- The FDN today announced that it has begun an offensive in Nicaragua and has abandoned its bases in Honduran territory near the border.

An anti-Sandinist spokesman has admitted that when the FDN had no economic support and hardly any ammunition it had to seek shelter in Honduras. "However, now that we have all we need to continue the struggle we have engaged with full intensity in the combat."

He affirmed that currently, only some 4,000 people remain in Honduras, among them reserve combatants and their relatives, some of whom have even resettled near the Nicraguan border.

The "contras" had occupied several regions, especially the coffee and vegetable producing areas in eastern Paraiso Department, near the Nicaraguan border, which covered an area of approximately 450 square km. [passage omitted]

According to the FDN spokesman, "we have completely withdrawn from Capire, Espanol Grande, Espanolito, Arenales, Las Vegas, Amparo, Cifuentes, Trojes, Soledad, Dificultades, and La Lodoza. We have taken the flags down and moved to Nicaragua, and only reserve units and their relatives are now in Honduras."

The spokesman refused to provide specific details of the offensive that he said the "contras" have launched in Nicaragua.

The "contras" report was confirmed today to the newspaper LA TRIBUNA by coffee producer Luis Obando, who has been displaced from his land.

The peasant affirmed that the "contras" are only in Yamales, a town 25 km east of Capire and 35 km from the Nicaraguan border.

U.S. HUMAN RIGHTS ACCUSATIONS DENOUNCED

U.S. Increases 'Pressure'

FL202135 Havana Radio Reloj Network in Spanish 1909 GMT 20 Feb 87

[Text] The United States has increased its pressure on the UN Human Rights Commission for the purpose of promoting campaigns against socialist countries, especially against Cuba.

The U.S. radio station Voice of America dedicated a large portion of its early morning broadcast to Europe to spread statements made against our country by the U.S. representative to the United Nations.

Delegates attending the Geneva forum said White House representatives distributed an extensive report among several countries that repeatedly attacked Cuba.

According to a European delegate, the United States is attempting to accumulate votes at the meeting, especially among those countries that do not wish to establish obvious ties with campaigns that are undoubtedly very ambiguous.

UN Ambassador Responds to Charges

FL201352 Havana Tele-Rebelde Network in Spanish 1200 GMT 20 Feb 87

[Announcer-read report]

[Text] Oscar Oramas, ambassador to the United Nations, has asserted that the Reagan administration's state policies are based on lies. Responding to Vernon Walters, U.S. representative to the United Nations, regarding alleged human rights violation in Cuba, Oramas indicated that to say that the SR-71 aircraft which violated Cuban airspace photographed alleged political prisoners' concentration camps is the height of shamelessness and cynicism.

The ambassador assured that our country is prepared to defeat Washington's attempts to take anti-Cuban charges to the Commission on Human Rights in Geneva.

Roa Kouri Assails Walters

FL232047 Havana Radio Reloj Network in Spanish 1900 GMT 23 Feb 87

[Text] Cuba today termed the U.S. accusations of alleged human rights violations in our country as immoral and outrageous, singling out the United States as the worst human rights violater in the world.

Vice Foreign Minister Raul Roa Kouri, who is attending the 43d session of the UN Commission on Human Rights in Geneva, said that the recent remarks by Vernon Walters, U.S. ambassador to the United Nations, are totally false.

In answering questions by the press, Roa Kouri said that Walters personally participated in government coups, including those against Joao Goulart in Brazil and Salvador Allende in Chile, and provided all kinds of assistance to repressive regimes when he headed the Central Intelligence Agency, CIA. Roa Kouri asked himself how a man like Walters dares make such accusations against Cuba.

The vice foreign minister challenged the false charges made against Cuba by U.S. Ambassador Vernon Walters before the session of the UN Commission on Human Rights in Geneva, Switzerland. [Words indistinct] Roa Kouri said. He said that that and many other traits prove the falsehood of the U.S. campaign.

During his address, Roa Kouri highlighted Cuba's accomplishments in the fields of health, education, employment, and the eradication of gambling and prostitution.

He said that Cuba will submit a resolution to the UN Commission on Human Rights on the violations the United States commits in its own territory against the rights of Indians, blacks, Puerto Ricans, and Latin Americans in general.

CASTRO CALLS BRAZIL'S MORATORIUM 'HISTORIC'

PA240403 Madrid EFE in Spanish 0332 GMT 24 Feb 87

[Text] Havana, 23 Feb (EFE) -- President Fidel Castro today called Brazil's decision to suspend payment of its foreign debt interest "historic" and affirmed that "the day of the world's poor people has arrived."

Castro, who for years has been leading a campaign against paying the foreign debt, declared that "this is the moment to turn the history of the Third World people around" and that "from today on the people will speak of a history before this moment and after this moment."

Regarding possible negotiation by Brazil with its creditors, Castro said that "whether there are negotiations or not it will be the debtors who will have the last word from now on."

Castro said that decisions such as this one are provoked by critical situations and that the adoption of measures against Brazil now "are impossible." But even if there are such measures Brazil "would have the unanimous support of all the Third World countries."

Castro stated: "Brazil won the battle before it started. It is a giant debtor, an economic giant, and a determining country for the future of the Third World."

Fidel Castro said that "the big powers will try to quench the fire and to find a solution" but Brazil will have the support of the Nonaligned Movement and Latin American and socialist nations as well as "the understanding of many capitalist countries."

SOVIET GROUP TO REVIEW NUCLEAR PLANT SAFETY

PA202020 Havana International Service in Spanish 1800 GMT 20 Feb 87

[Text] The joint Cuban-Soviet working group for electrical energy will review the safety features [aseguramientos] for the Cuban electronuclear plant in Cienfuegos during its 14th meeting to be held in Havana.

The meeting will also serve to analyze the implementation of the second phase of the eastern thermoelectrical plant in Havana, as its first unit will be incorporated into the country's electrical energy system this year. The meeting of the Cuban-Soviet working group will conclude on Monday with the signing of a protocol.

ARIAS' PACIFICATION PLAN, CONTRA CHANGES LINKED

PA221311 Havana International Service in Spanish 2300 GMT 20 Feb 87]

[Commentary by Nestor Nunez]

[Text] Costa Rican President Oscar Arias' presentation of a pacification plan for Central America which entails the dismantling of the genuine Nicaraguan Government, and the steps for the political reorganization of the leadership of the mercenary bands that attack the Sandinist revolution are one and the same. Evidently, this is a Washington-directed effort to change the image of groups that in the past few years have murdered defenseless families and attacked towns and economic and civilian targets. The imperialist adventure has cost the Nicaraguan people more than 11,000 innocent lives and tens of millions of dollars in damage so far.

The policy that Washington has implemented so far in Central America has been shaken by the so-called Irangate case. This case disclosed dirty deals, including drug trafficking, to procure additonal funds for the mercenaries. Adolfo Calero, crooked Somozist and member of the so-called Nicaraguan Opposition Unity, was removed by Washington in an attempt to give this terrorist organization a less discredited image.

The idea is to present the contras as an alleged political alternative to fit with the Costa Rican presumed peace plan. This plan advocates talks between the Sandinist revolution and the mercenaries and holding new general elections. All indications are, however, that these efforts by Reagan do not have a promising future. The EPS strikes have truly threatened the mercenary groups and demonstrated the latter's inefficiency. This has clearly disappointed those who once believed the White House's arrogant diatribes. Consequently, the U.S. Senate Foreign Relations Committee has just requested the suspension of the financial aid for these groups. All this seems to indicate that Reagan will have to work his head off to give a minimum amount of credibility to such a bunch of murderers.

FURTHER REPORTAGE ON ALLEGED 'CONSPIRACY'

Pena Gomez on 'Conspiracy'

FL201652 Santo Domingo Cadena Brea Pena in Spanish 1130 GMT 20 Feb 87

[Text] Dr Francisco Pena Gomez has discarded the possibility that former President Salvador Jorge Blanco might be part of a criminal plot involving an attack against the life of the president of the Republic or any other public figure.

Speaking to Notitiempo [name of newscast], Pena Gomez, who is president of the Dominican Revolutionary Party [PRD], said he did not believe that Dr Jorge Blanco would be capable of taking part in actions as serious as a criminal attack on government figures. The PRD leader was interviewed at Socialist International headquarters, where he was participating in a meeting to report on his recent trip to South America.

Dr Pena Gomez also announced that in the next few days he will make a series of speeches to analyze the results of his trip and the PRD's situation.

Former President Jorge Blanco was recently accused of alleged participation in a conspiracy against prominent government figures.

Balaguer Orders Probe

FL201725 Santo Domingo Cadena Brea Pena in Spanish 1130 GMT 20 Feb 87

[Text] President Joaquin Balaguer has issued instructions to the attorney general to conduct an exhaustive investigation of alleged terrorist acts against the government. The president gave the instructions today to Dr Ramon Gonzalez Hardy in response to a request from former President Salvador Jorge Blanco in connection with a plot against government officials.

In a letter to Dr Gonzalez Hardy, President Balaguer states that the seriousness of the charge and Dr Jorge Blanco's request have prompted him to reiterate his determination that the appropriate authorities carry out a detailed investigation. The chief of state tells the attorney general that he is authorized to ask for the necessary cooperation from government authorities or institutions to carry out his investigation. The president explains that the results [words indistinct] must follow the strictest investigation procedures.

Former President Jorge Blanco last night asked President Balaguer to order an investigation into an alleged conspiracy against the district prosecutor, Dr Pincho Castillo, and the president himself.

District Attorney on Investigation

FL211330 Santo Domingo Cadena Brea Pena in Spanish 1130 GMT 21 Feb 87

[Text] The district attorney has denied that human rights and procedural rules have been violated in the proceedings against former President Salvador Jorge Blanco and other former officials who are being charged with serious corruption violations. Dr Prim Pujals defended the measures taken to prevent the former head of state and other former officials from leaving the country because he said serious charges have been made against them.

Former President Jorge Blanco sent letters to diplomats accredited in the country and other foreign personalities, indicating that human rights and judicial procedural rules have been violated in the case conducted against him. Asked about this Dr Pujals said:

[Begin recording] What happens, and I will repeat, is that Dr Salvador Jorge Blanco's attorneys believe Jorge Blanco is still the president of the Republic, that he is a sacred cow, that he is untouchable. They want the officials who are in charge of implementing the law to do what they want and that is not the way it goes. The measures taken to prevent Jorge Blanco, Cuervo Gomez, and all generals involved in the purchase of vehicles from the Armed Forces from leaving the country are justified. [end recording]

The district attorney added that those measures are aimed at having those persons available when necessary to respond to the alleged corruption activities they have been involved in. When he was told that the former head of state said human rights violations had been committed in his case, Dr Pujals indicated:

[Begin recording] That is very puzzling, the district attorney is more democratic than Jorge Blanco and more democratic than all the attorneys defending him. I am incapable, incapable [repeats himself] of taking an arbitrary measure against anyone, even more so against Dr Salvador Jorge Blanco, who is a former president. [end recording]

The district attorney said the measure preventing Jorge Blanco from leaving the country should be continued.

ESTABLISHMENT OF SOUTH AFRICAN RELATIONS REJECTED

FL191502 Bonaire Trans World Radio in English 1130 GMT 19 Feb 87

[Text] The Dominican Republic has ruled out establishing relations with South Africa. The government declaration followed lobbying efforts in support of Pretoria.

Foreign relations minister has rejected any possibility of such a move saying that any relations with that country would go against the United Nations position against apartheid. He went on to say that it would be also an offense to the Dominican people and that relations with South Africa could also upset relations with neighboring Haiti.

DESI BOUTERSE OUTLINES ECONOMIC CRISIS PLAN

FL232218 Paramaribo International Service in English 1730 GMT 23 Feb 87

[Text] Last Friday [20 February] evening, government leader Desi Bouterse outlined the crisis plan by which the authorities hope to solve the current problems in the country. The plan is aimed at increased production instead of austerity. The government leader said the cost of embassies will be slashed by one half. He added that people must conserve on fuel while foreign exchange will not be used for holiday trips. The plan also states that the (?state) will have to supply enough food items and spare parts for vehicles. Measures will also be taken to increase the production and export of rice, wood, fish, and bananas.

FURTHER REPORTAGE ON STUDENT DEMONSTRATIONS

Youth Groups Denounce Protests

FL201840 Paramaribo International Service in English 1730 GMT 20 Feb 87

[Text] Yesterday, a couple of thousand students took to the streets to demonstrate against the scarcity of foodstuffs. On this second day of student protests, several schools were damaged. At least two students who did not want to particpate in the demonstrations were molested by others. A 17-year-old student was arrested by the police. He is suspected to be one of the instigators of the demonstrations. Once some of the demonstrators started looting, shops closed their doors. The riot police, who were present, were able to maintain order in spite of the fact that they were provoked in some cases.

Youth organizations here have denounced the actions which were undertaken by students over the past few days. Both the National Committee of Schools and the Suriname National Youth Assembly issued statements saying they do not understand the reasons for the protest. They are, however, of the opinion that the problem of scarcity should be discussed in a more constructive way. Various sectors in the Surinamese society think that the students are being used by other forces to create an unstable political climate which is not in the country's best interest. The National Committee of Schools denounced the acts of vandalism which took place during the demonstrations. It is of the opinion that these actions are aimed at maliciously provoking a violent confrontation with the Armed Forces.

Protests Continue 4th Day

FL211239 Bonaire Trans World Radio in English 1130 GMT 21 Feb 87

[Text] Security forces in Suriname beat and arrested students around Paramaribo yesterday on the 4th day of major protests against the government. Desi Bouterse has pledged to crack down on civil unrest and terrorists and still turn power to an elected government in 1988. The arrests and beatings came 1 day after the U.S. State Department warned Mr Bouterse's government that suppression of the demonstrations would compound the government's isolation and economic problems.

Schools To Remain Closed

FL232224 Paramaribo International Service in English 1730 GMT 23 Feb 87

[Text] Today and tomorrow all secondary and high schools in the Paramaribo and [word indistinct] districts have been ordered by the Ministry of Education to remain closed. The ministry took this decision at the request of the teachers union following the demonstrations ...and riots of last week. The demonstrations, which began peacefully, escalated on Thursday [19 February]. A group of students resorted to destruction and plunder. In some cases, other students were molested when they refused to join the demonstrations.

On Friday [20 February], an incident occurred at a [word indistinct] high school where there was a confrontation between soldiers and students. In a television interview yesterday, Education Minister Allan Li Fo Sjoe said the government laments the incidents. He guaranteed it will not be easily repeated.

NETHERLANDS MINISTER REAFFIRMS DENIAL OF AID

PA222217 Paris AFP in Spanish 0640 GMT 21 Feb 87

[Text] Caracas, 20 Feb (AFP) -- Netherlands Foreign Minister Hans van den Broek confirmed on Friday that his country will not give Suriname financial aid until that former Netherlands colony has a democratic regime.

Van den Broek, who is visiting Venezuela in Queen Beatrix' retinue, pointed out during a press conference that the subject of Suriname was discussed at length with the Venezuelan Government. He added that both countries are worried by the delay in the establishment of democracy in Suriname.

Van den Broek said: "The Netherlands is waiting until March 1987, the date set by the country's ruler Desi Bouterse, to promulgate the new Constitution, which is presently being discussed in the Supreme Consultative Council [Consejo Supremo Consultavo], and should be approved by referendum in September 1987."

According to Van den Broek, the moment democracy is restored in Suriname, financial aid will be resumed. This aid was suspended in 1982 because several opponents of the Bouterse regime were killed.

On another subject, when he was asked about the Netherlands' alleged military aid to the antigovernment rebels headed by Ronnie Brunswijk, the Netherlands foreign minister replied emphatically that his country "has not sent and will not send arms to Suriname."